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# City of Newport, Kentucky

**Comprehensive Annual Financial Report  
Year Ended June 30, 2019**



**Academy on 4th**

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**CITY OF NEWPORT, KENTUCKY  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Year Ended June 30, 2019**

**Prepared by:**

**Finance Department  
City of Newport**

**CITY OF NEWPORT, KENTUCKY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Year Ended June 30, 2019

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## INTRODUCTORY SECTION



December 27, 2019

To the Mayor, City Commissioners and Citizens of the City of Newport, Kentucky:

We are pleased to present the Comprehensive Annual Financial Report of The City of Newport, Kentucky (the City or Newport) for the fiscal year ended June 30, 2019 (FY 19).

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Newport's management. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and the results of operations of the City. To provide a reasonable basis for making these representations, management of the City has established internal controls that are designed both to protect its assets and the integrity of its operations, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). All disclosures necessary to enable an understanding of financial activities have been included. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Commonwealth of Kentucky requires that all general-purpose governments publish, a complete set of financial statements prepared in accordance with GAAP, consistently applied, and audited by a firm of independent certified public accountants. RFH, PLLC, engaged by Newport to audit its FY 19 financial statements, issued an unmodified (clean) opinion on the financial statements for the fiscal year ended June 30, 2019, indicating that the City's financial statements are fairly presented in conformity with GAAP. The Independent Auditors' Report is included as the first component of the financial section of this report.

The independent audit of the financial statements of the City is part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require an independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with Federal Program requirements. In this fiscal year, a single audit was not required. Expenditures related to grant awards from AFG, CDBG and KYTC/FHWA did not exceed the \$750,000 threshold of Federal grant funds.

The Government Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the Financial Statements in the form of a Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent public accountants.

The Financial Statements of the City consist of the Statements of Net Position, Statements of Revenue, Expense and Changes in Net Position, and Statements of Cash Flows. Notes to the Financial Statements are an integral part of the financial statements and should be read to better understand the reports presented.

## City of Newport Overview

The City of Newport, founded in 1795, is located in the northern most part of the state, situated directly across the Ohio River from Cincinnati, Ohio, occupies a land area of 3 1/2 square miles and serves a population of approximately 16,000. The City's operations are primarily funded through the levying of taxes with major revenues from taxation on:

- Gross payroll
- Insurance premium
- Gross receipts (business) Bank deposits
- Personal and Real property

Overseeing operations of the City is the City Manager, Thomas Fromme. According to the International City/County Management Association, the council-manager form of government "combines the strong political leadership of elected officials with the strong managerial experience of an appointed manager or administrator. All power and authority to set policy rests with an elected governing body, which includes a mayor or chairperson and members of the council, commission, or board. The governing body in turn hires a nonpartisan manager who has very broad authority to run the organization."

Council (or Commission)-Manager has been Newport's form of government since 1932 and under such the voters elect only the City Commission, which appoints a City Manager to administer municipal affairs under its supervision. The Commission acts only collectively, and its individual members, including the Mayor, have no administrative functions. The Board of Commissioners is elected on a non-partisan basis for a two-year term, while the Mayor serves a four year term. The election for the Offices of City Commissioner and Office of the Mayor was held in November 2016 and a general election for Commissioners was held November 2019.

The City Manager, subject to the general supervision of the Commission, is in full charge of the administration of municipal affairs, preparing the budget, appointing and dismissing personnel, directing the work of municipal departments, and attending Commission meetings, in which recommendations on municipal business are presented and an active part in discussions is taken. In directing daily operations of the City, the Manager is responsible for ensuring effective

and efficient government service. Every City employee ultimately answers to the City Manager, so the Manager has the right to recommend or hire and fire staff as appropriate and allowable by law.

Departments over which the City Manager supervises are as follows:

- Police – An accredited, forty-five member department with divisions of administration, patrol, traffic, and investigation.
- Fire – Thirty-five member department with divisions of administration, headquarters, education and prevention, emergency medical services, and South Newport.
- Community Services – employs fifteen full-time and nineteen seasonal in the divisions of administration, Veteran's pool, public works, parks and recreation, refuse, and municipal building maintenance.
- Code Enforcement – under which new or rehabilitation development plan review, building permit, and code enforcement services are conducted. The department is comprised of five full time and one part time employees.
- Finance and Administration – six full time personnel perform accounts payable, accounts receivable, management and reporting functions, property tax collection, business and rental licenses and fees collection as well as budget assistance and tracking.

In addition to the aforementioned departments and related activities, the governing body and City Manager bear responsibility for funding the policemen's and firefighter's retirement fund and City employees' retirement fund therefore, these activities are included in the annual report.

The policemen's and firefighter's and the City employees' retirement funds are self-funded plans under which those who retired before 1988 are still paid. The funds are considered fiduciary funds, which are funds used to account for assets held in trust by the City in a trustee capacity and cannot be used to support any other program. Additional information on the fund can be found in the auditor's "Notes to the financial statements" on pages 33 - 67. The City has been a participant in the City and County Employees Retirement System (CERS) through the Commonwealth of Kentucky since August, 1988<sup>1</sup>.

The Housing Authority of Newport (HAN) maintains close ties with the City, although it is **not** a component unit of the City as defined by the pronouncements of the Government Accounting Standards Board. The City is not financially accountable for the operations of HAN, has no responsibility to fund deficits or receive surpluses, and does not guarantee HAN's debt. The City provides HAN with grants from the City's CDBG (Community Development Block Grant) allocations for project specific development efforts.

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<sup>1</sup> The Government Accounting Standards Board (GASB) passed GASB statement 68 in June, 2012. Effective in fiscal year 2015, this statement will require those that participate in "cost-sharing, multiple employers" plans, like CERS, to include a representative portion of the plans' unfunded liability on the City's balance sheet. The Kentucky Retirement Systems actuaries calculated Newport's percentage of unfunded liability at June, 2018 to be a total of .0864% for non-hazardous and 1.016 for hazardous, equating to \$29,831,544. This amount is shown mainly on pages 23 and 28.



Funding for operations is planned through the annual budget which serves as the main financial control foundation. Department heads work with the Finance Department to create a requested budget. The City Manager uses these requests as the starting point for developing the proposed budget for review by the Board of Commissioners. The final budget must be adopted by June 30th.

The City Manager can make transfers of appropriations between departments without the approval of Board of Commissioners but the Board of Commissioners must approve revisions to the budget that would alter total revenues and expenditures of any fund, noting that expenditures may not legally exceed budgeted appropriations at the fund level. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

## Economic Condition and Outlook

Like every other major metropolitan area in the United States, metropolitan-Northern Kentucky was initially adversely impacted by the global economic recession. But many local and national economists have stated that metropolitan-Northern Kentucky and Cincinnati remain attractive places to live, work and invest because the fundamentals are quite strong, the weather typically moderate, the overall workforce is educated, a concentration of excellent colleges and universities can be found, and all major U.S. cities are accessible from the Cincinnati-Northern Kentucky International Airport. As such economists have stated that, given these fundamentals, the region's economic recovery and overall outlook remain better than that of the nation.

Our region has seen an uptick in new building starts in the last year. Here in Newport we also see several new developments on the horizon: office, residential, mixed use, large and small scale development, in locations throughout the city. The New Route 9 was opened and development along this corridor is being discussed. Ovation became a reality in this Fiscal Year with the approval and groundbreaking of a Music Venue and supporting development on the site. These types of Economic Development Project of scale take several years of planning and approvals before construction begins. Several new investments have been made along Monmouth Street, including building renovations and new business openings.

Our goals continue to include furthering residential and commercial development; improving on quality of life issues through investments in parks and recreation and maintaining a safe walkable community. From a fiscal perspective we continue working on growing revenues, keeping our expenses reasonable, reduction of debt service and continued improvement of the City credit rating of A- by Standard & Poor's.

## Spotlighting

In 2019 the City experienced a net gain of 40 businesses, adding 124 new jobs. Since 2006, the City has experienced \$300 million in new developments, making this period one of the most successful in the 223 year history of the City.

**Ovation:** In May of 2019 the announcement and groundbreaking for a Music Venue was completed. Plans for the second phase of Ovation have been submitted to the Army Corps of Engineers for review.

**Newport on the Levee:** In FY 2019 the sale of Newport on the Levee was finalized. North American Properties, a Cincinnati / Atlanta based company, purchased the Levee and spent Q3 and Q4 FY 2019 redesigning and white-boxing space for future tenants. Expansion of office users continued.

**Newport Shopping Center and Plaza:** Newport Shopping Center began construction of Smoothie King, and continued efforts to lease vacant space.

**Newport Plaza II:** Gator Investments began reconstruction of vacant space for new commercial tenants, Burlington and Ross.

**The Academy at 4th Street:** This \$31 Million residential development, located at the old 4th Street School site continued construction in FY 2019. Pre-leasing began and will continue in FY 2020.

**Peace Bell Mixed Use Development:** Design plans continued to be refined for a mixed-use development on the parking lot site adjacent to the World Peace Bell. The concept plan includes a hotel as Phase I and a mixed-use building as Phase II.

**Baptist Convalescent Center Redevelopment:** Construction on the former Baptist Home on Main Street, renamed SkyPoint Condominiums, began. This project includes 45 units of for sale condominium product. The model unit is almost complete and pre-sales have been made.

**IPSCO Tubulars Site:** Tenaris S.A. began the acquisition process of IPSCO Tubulars. The site owned by IPSCO located in Newport was taken off the market until the sale was completed and reevaluation of property can take place.

**One Riverfront Place:** Leasing continues to be stable as major tenants P.L. Marketing and Divisions see growth in their respective business sectors.

**Riverfront Commons:** Phase III of the Riverfront Commons project is under construction, including two new connector bridges to the Taylor Southgate Bridge. This compliments the previous improvements and is partially being paid for by federal funding.

**The Skywheel:** Following several iterations of plan design, this project located in Newport Festival Park was approved by the Army Corps of Engineers.

**South 27 Smart Corridor:** The US-27 Smart Corridor Group (multi-city) working group has been collaborating on various initiatives to form a common vision around this underutilized

corridor and implement strategic solutions that will help the involved communities prosper by engaging with current and future residents, visitors, and businesses. The City of Newport has received grant funding to improve the streetscape into a more multi-modal, attractive corridor, that will further redevelopment over time.

**Carothers Road:** Phase II design is underway.

### Priorities for the next year

The City's focus remains to re-make Newport into an inviting place to live, work, and play. In pursuit of that goal, City Commissioners and the City Manager have identified a number of items on which to concentrate in the coming fiscal years including continued pursuit of and negotiations with businesses desiring to locate in the City, infrastructure, building, and equipment needs, riverfront mandates and continued improvements, fiscal soundness. Highlighting just the next year:

#### Community and Economic Development Goals:

- Begin process for updating the 2015 Comprehensive Plan
- Evaluate 4<sup>th</sup> and 5<sup>th</sup> Street two-way conversion
- Facilitate redevelopment underway: 4<sup>th</sup> Street Academy, Peace Bell Site, Skywheel, Ovation, Newport on the Levee, Baptist Home, 13<sup>th</sup> Street, and along Monmouth Street and New Route 9
- Implement new Bernadette Watkins Park improvements
- Continue business retention / outreach
- Continue Façade Program Implementation
- Partner with neighboring Cities on evaluation of the US 27 Smart Corridor
- P&Z engagement and administration
- Landfill Redevelopment

#### Infrastructure and Maintenance Goals:

- Continue to evaluate ways to maintain aging infrastructure
- Continue implementing plan for the street / sidewalk repairs, road paving schedule
- Install handicap ramps and replace curbing
- Replace two public works trucks with salt spreaders and plows
- Mussman Park Improvements (fencing, courts, fountain)
- Phase II Carothers Construction
- Grant Implementation: Riverfront Commons III – Bridges Project, South Monmouth/ Underpass
- Continue to facilitate Levee projects, repair, maintenance and development related.
- Continue Monmouth Street Paver Replacement project

### Financial Goals

- Continue to strengthen the City's reserves
- OpenGov: Add more detailed Fire and Police Data
- Continue to investigate ways to incorporate technology into city government functions
- Update Website, continue promotions of events, grow Facebook "Friends"
- Issue a Bond for capital improvements which would include South Monmouth / Underpass
- Work with Department heads to monitor City Budget
- Establish and set Property Tax Rate

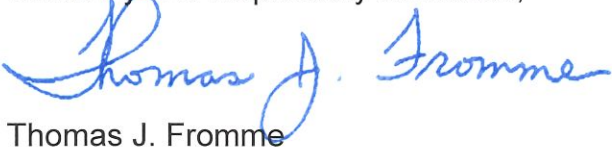
The City is in dynamic times, mending outdated financial policies and procedures, prioritizing delayed repairs and maintenance, creating five year plans for streets, equipment, and the municipal complex, while enticing entrepreneurs, expanding businesses, and artisans to create a unique community wherein all who work and play can find enjoyment.

### Acknowledgements

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Department with special thanks to Leonard Kuntz, Director of Finance, for his continued devotion to the City's financial standing and reporting.

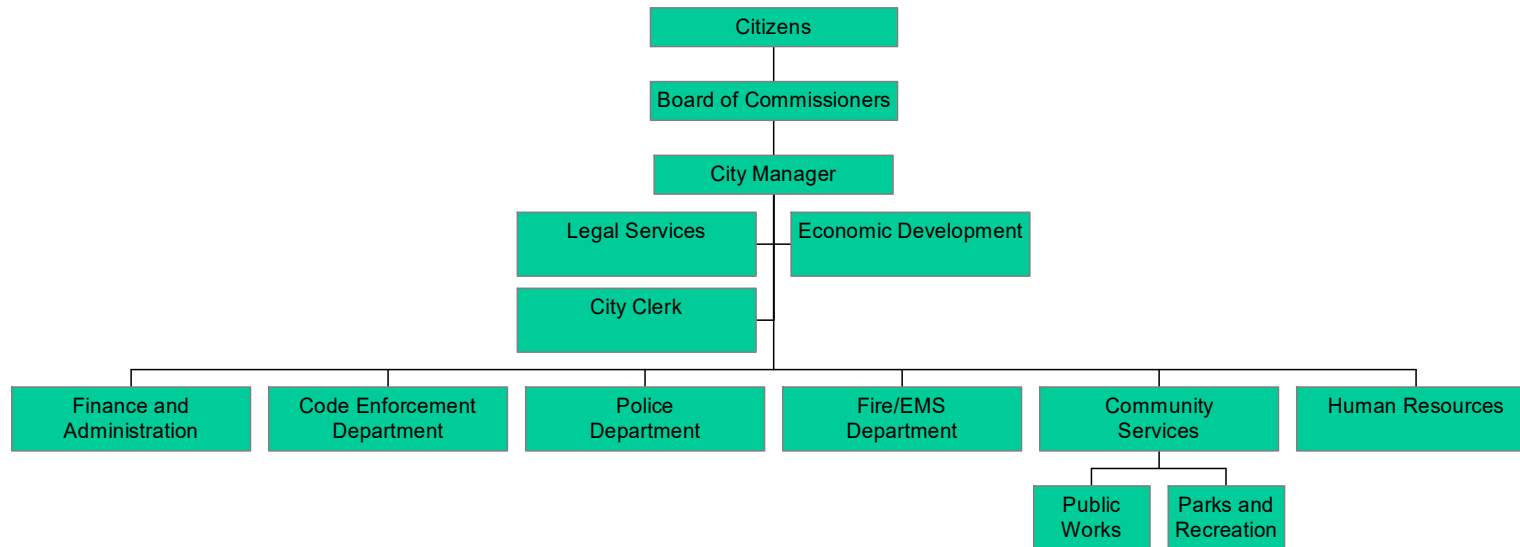
We wish to thank all of the City's departments and staff for their assistance in providing the data necessary to prepare this report. Tribute also is due to the Mayor, the Commission, and the Assistant City Manager for their unfailing support in maintaining the highest standards of professionalism in the management of the City of Newport's finances.

Sincerely and respectfully submitted,



Thomas J. Fromme  
City Manager

# City of Newport, Kentucky Organizational Structure



**CITY OF NEWPORT, KENTUCKY**

**LIST OF PRINCIPAL OFFICIALS**

**For the Year Ended June 30, 2019**

**Mayor**

Jerry Peluso

**Commissioners**

Thomas L. Guidugli, Jr.

Frank T. Peluso, Sr.

Elisabeth Fennell

Kenneth Rehtin

**City Manager**

Thomas J. Fromme

**Department Heads**

Fire/EMS Chief - William Darin

Chief of Police - Thomas Collins

Code Enforcement - Brian Steffen

Community Services - Doug Roell

Director of Finance - Leonard Kuntz

**Office of City Manager**

Assistant City Manager - Larisa K. Sims

City Attorney - Daniel R. Braun

City Clerk - Amy B. Able

## FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the Commission  
City of Newport, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Newport, Kentucky's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Kentucky, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules and OPEB schedules on pages 12–22 and 68–86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newport, Kentucky's basic financial statements. The introductory section, combining fiduciary fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fiduciary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fiduciary fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2019, on our consideration of the City of Newport, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Newport, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newport, Kentucky's internal control over financial reporting and compliance.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
December 27, 2019



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of Newport, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's basic financial statements, which begin on page 23.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 23 and 24) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 25. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

#### **GASB 68**

Passed in June 2012, the new standards are intended to: enhance usefulness of employer-level pension information in financial reports, improve transparency —Kentucky Retirement Systems – County Employee Retirement System's liability is shared by all participants (employers) in the plan, and make it easier to compare public pension plans by standardizing financial reporting requirements. GASB 68 requires the annual *government- wide* financial statements to include the proportionate share of **net pension liability**, the proportionate share of **pension expense**, additional pension-related note disclosures (**Notes to Financial Statement, page 53**), and additional pension-related **Required Supplemental Information**. The City's calculated share for FY 19 is \$32,176,217.

#### **GASB 75**

Passed in June 2015, the new standards are intended to: enhance usefulness of employer-level 'other post-employment benefit (OPEB)' information in financial reports, improve transparency —Kentucky Retirement Systems – County Employee Retirement System's liability is shared by all participants (employers) in the plan, and make it easier to compare public pension plans by standardizing financial reporting requirements. GASB 75 requires the annual government-wide financial statements to include the proportionate share of **net OPEB liability**, the proportionate share of **OPEB expense**, additional OPEB-related note disclosures (**Notes to Financial Statement, page 58**), and additional OPEB-related **Required Supplemental Information**. The City's calculated share for FY 19 is \$8,777,431.

It is a standard for preparing financial statements, not for funding, and contribution rates will be determined in the same manner as in the past. Employers, like the City of Newport, will now be required to account for their share of the unfunded liability but they are not required to fund that liability beyond the rates established in accordance with KRS 61.565(6).

## Reporting the City as a Whole

### Financial Highlights (with GASB 68 and GASB 75)

- The general liabilities of the City exceeded its assets at the close of the most recent year by \$(12,686,327) with the addition of the unfunded pension and OPEB liabilities of \$32,176,217 and \$8,777,431, respectively. This is the City's net position. For the statement of net position, refer to page 23.
- The City's total net position declined this year by **\$9,976,905** over last year. Net position of governmental activities decreased by **\$3,351,121** and net position of business-type activities decreased by **\$6,625,784**. As of June 30, 2019, the City's governmental funds reported a combined ending fund balance of **\$8,215,338**, an increase of **\$1,746,152** in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was **\$5,128,905**, an increase of **\$703,834** over fiscal year 2018. An increase in unrestricted cash due to higher revenues and unspent GO lease proceeds.
- The City's total debt decreased by **\$20,240,314** due to the retirement of the Newport on the Levee Series 2001A Revenue Bonds and regularly scheduled principal payments.
  - Newport's debt total, including general obligation and revenue bonds and lease financed, is \$20,028,516.

### **Financial movement without consideration of GASB 68 and GASB 75 (pension & O P E B liabilities) is as follows:**

- The governmental assets outpaced liabilities by \$18,570,714
- Total net position (including business [refuse and NOL] activity) dropped by \$5,102,971, governmental activities increased by \$1,487,105, business activities decreased by \$6,590,076, due to closing of the NOL Fund.
- Fund and debt figures are unchanged.

### The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account when they are measurable, regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position, the difference between assets, what the taxpayers own, and liabilities, what the taxpayers owe, as one way to measure the City's financial health, or *financial position*. Over

time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating.

You will need to consider other non-financial factors, however, such as changes in the City's property tax base, franchise fee base, and the condition of the City's capital assets (roads, buildings, equipment and sidewalks) to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities: most of the City's basic services are reported here, including the police, fire, emergency medical services, street maintenance, parks and recreation, and general administration. Payroll license fees, insurance license fees, property taxes, and gross receipts license fees finance most of these activities.
- Business-type activities: the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's refuse operations and Newport on the Levee parking operations are reported in this activity.

## Reporting the City's Most Significant Funds

### Fund Financial Statements

Our analyses of the City's major funds begin on page 25 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law. However, the Board of Commissioners establishes many other funds to help it control and manage money for particular purposes (i.e. Community Development Fund, Capital Projects Fund and TIF Fund). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

*Governmental funds:* Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year- end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides (*i.e. general fund, community development and capital projects*). Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation beside the fund financial statements.

*Proprietary funds:* When the City charges customers for the full cost of the services it provides, whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise

funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. ***For Newport, these are the Refuse (solid waste) and Newport on the Levee Garage funds.***

## THE CITY AS A WHOLE

The statement of net position presents information on all of the City of Newport's assets and liabilities, with the differences between the two reported as net position. For the year ended June 30, 2019, net position changed as follows:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 10,766,773	\$ 8,377,142	\$ 796,755	\$ 6,248,649	\$ 11,563,528	\$ 14,625,791
Capital assets	30,974,916	31,120,389	67,667	22,449,487	31,042,583	53,569,876
Total assets	\$ 41,741,689	\$ 39,497,531	\$ 864,422	\$ 28,698,136	\$ 42,606,111	\$ 68,195,667
Deferred outflows of resources	\$ 11,606,900	\$ 12,819,278	\$ 89,889	\$ 115,363	\$ 11,696,789	\$ 12,934,641
	\$ 11,606,900	\$ 12,819,278	\$ 89,889	\$ 115,363	\$ 11,696,789	\$ 12,934,641
Long-term liabilities	\$ 62,041,070	\$ 60,089,370	\$ 387,403	\$ 20,411,665	\$ 62,428,473	\$ 80,501,035
Other liabilities	2,143,742	1,267,377	103,028	1,326,666	2,246,770	2,594,043
Total liabilities	\$ 64,184,812	\$ 61,356,747	\$ 490,431	\$ 21,738,331	\$ 64,675,243	\$ 83,095,078
Deferred inflows of resources	\$ 2,287,212	\$ 732,376	\$ 26,772	\$ 12,276	\$ 2,313,984	\$ 744,652
	\$ 2,287,212	\$ 732,376	\$ 26,772	\$ 12,276	\$ 2,313,984	\$ 744,652
Net position:						
Net Investment in capital assets	\$ 14,242,797	\$ 12,989,261	\$ 67,667	\$ 2,429,487	\$ 14,310,464	\$ 15,418,748
Restricted	2,880,371	1,631,794	-	4,272,209	2,880,371	5,904,003
Unrestricted	(30,246,603)	(24,393,369)	369,441	361,196	(29,877,162)	(24,032,173)
Total net position	\$ (13,123,435)	\$ (9,772,314)	\$ 437,108	\$ 7,062,892	\$ (12,686,327)	\$ (2,709,422)
(without pension/OPEB liability)	\$ 18,570,714	\$ 17,083,609				

There was a decrease of **\$3,351,121** in net position for governmental activities. Assets were up \$2,244,158 due to unspent proceeds from the GO Lease Series 2019. Deferred Outflows were down between Pension (\$622,135) and OPEB (\$551,927). The largest difference was the increase in liabilities, specifically, accounts payable increased \$797,076 and Net Pension Liability (GASB 68) increased \$3,086,749, while the OPEB liability (GASB 75) decreased \$977,421. There was a decrease in net position of **\$6,625,784** for business-type activities resulting primarily from the closing of the Newport on the Levee Fund.

## Governmental Activities

Governmental activities decreased the net position of the City of Newport by **\$3,351,121** during FY 2019 as summarized on the following chart:

<b>Changes in Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,242,192	\$ 1,257,396	\$ 3,922,522	\$ 6,400,103	\$ 5,164,714	\$ 7,657,499
Operating grants and contributions	960,467	1,021,208	-	-	960,467	1,021,208
Capital grants and contributions	223,444	570,609	-	-	223,444	570,609
<b>General revenues:</b>						
Property taxes	2,315,224	2,227,953	-	-	2,315,224	2,227,953
Other taxes	334,040	314,457	-	-	334,040	314,457
Payroll license fees	6,950,029	6,720,680	-	-	6,950,029	6,720,680
Gross receipts license fees	2,290,003	1,992,322	-	-	2,290,003	1,992,322
Insurance premium license fees	3,523,253	3,364,978	-	-	3,523,253	3,364,978
Other licenses and permits	617,310	611,517	-	-	617,310	611,517
Franchise fees	650,980	603,247	-	-	650,980	603,247
Other uses of property	681,811	428,606	-	-	681,811	428,606
Grants - non-program specific	-	-	-	-	-	-
Other	117,213	77,957	142,345	311,220	259,558	389,177
Total revenues	\$ 19,905,966	\$ 19,190,930	\$ 4,064,867	\$ 6,711,323	\$ 23,970,833	\$ 25,902,253
<b>Expenses:</b>						
General government	\$ 2,440,244	\$ 2,614,472	\$ -	\$ -	\$ 2,440,244	\$ 2,614,472
Police	8,084,358	7,356,908	-	-	8,084,358	7,356,908
Fire	7,407,263	6,571,753	-	-	7,407,263	6,571,753
Development services	998,908	1,672,674	-	-	998,908	1,672,674
Community services	3,461,304	3,805,036	-	-	3,461,304	3,805,036
Municipal complex	314,084	276,632	-	-	314,084	276,632
Interest on long-term debt	579,698	602,544	-	-	579,698	602,544
Solid waste collection	-	-	1,368,960	1,258,339	1,368,960	1,258,339
Parking facility operation	-	-	728,808	4,952,761	728,808	4,952,761
Total expenses	\$ 23,285,859	\$ 22,900,019	\$ 2,097,768	\$ 6,211,100	\$ 25,383,627	\$ 29,111,119
Increase in net position before transfers	(3,379,893)	(3,709,089)	1,967,099	500,223	(1,412,794)	(3,208,866)
Gain (loss) on disposal of assets	(18,197)	259,582	(2,311,069)	-	(2,329,266)	259,582
Transfers	46,969	44,671	(46,969)	(44,671)	-	-
Developer reimbursement - closeout	-	-	(6,234,845)	-	(6,234,845)	-
Increase (decrease) in net position	\$ (3,351,121)	\$ (3,404,836)	\$ (6,625,784)	\$ 455,552	\$ (9,976,905)	\$ (2,949,284)
Net position - Beginning of year	(9,772,314)	(6,367,478)	7,062,892	6,607,340	(2,709,422)	239,862
Net position - End of year	<b>\$(13,123,435)</b>	<b>\$ (9,772,314)</b>	<b>\$ 437,108</b>	<b>\$ 7,062,892</b>	<b>\$ (12,686,327)</b>	<b>\$ (2,709,422)</b>

- Total revenues for the City's governmental activities totaled **\$19,905,966** compared to **\$19,190,930** last year.
- Payroll license fees totaled **\$6,950,029** or **34.9%** of the total revenues. This was an increase of **\$229,349** from last year.
- Insurance premium license fees represented **\$3,523,253** or **17.7%** of total revenues. There was an increase of **\$158,275** from the prior year's fees.
- The third largest category of governmental revenues was property tax collection, which includes payments in lieu of property taxes, with a total of **\$2,315,224**, or **11.6%** of total revenues, a slight increase of **\$87,271**.
- Gross receipts license fees totaled **\$2,290,003** and accounted for **11.5%** of total revenues. This amount represents an increase of **\$297,681** from the previous year. This relates to the collection on delinquent accounts. There were a total of **\$366,252** in collections from bill series 2018.
- There was a decrease in Capital Grants and Contributions from **\$570,609** down to **\$223,444**. This was due to a lack of activity for the 2017 CDBG grant.
- This year total expenses for the City's governmental activities were **\$23,285,859** compared to **\$22,900,019** last year. Further explanation can be found below in ***Financial Analysis of the Government's Funds***.

### **Business-type Activities**

- Revenues for business-type activities totaled **\$4,064,867**, compared to last fiscal year's total of **\$6,711,323**. Of this total, **\$3,922,522** or **96.5%** was from charges from services. Total revenue showed a decrease of \$2,646,456, which stems from the closing of the NOL Fund in December 2018. The year ended June 30, 2019, only includes six months of parking garage fees and ground/attendance rents from the aquarium. There were also zero guaranty payments submitted, which had climbed to over one million dollars in the year ended June 30, 2018. Refuse fees only climbed \$64,490 due to a slight rate increase.
- Expenses for business-type activities totaled **\$2,097,768** versus **\$6,211,100** last fiscal year. Total expenses decreased \$4,113,332 largely due to the closing of the NOL fund.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### ***Governmental funds***

The focus of the City's governmental funds is to provide information on revenues, expenditures, and net spendable resources.

As of **June 30, 2019**, the City's governmental funds reported combined ending fund balance of **\$8,215,338**, an increase of **\$1,746,152** from the prior year. Of the total fund balance, the unassigned portion of the balance is **\$5,128,905**.

The General Fund is the main operating fund of the City. At the end of the fiscal year, the total fund balance in the General Fund was **\$6,759,059**. This represents an increase of **\$689,923** over the prior year. The main reason for this was several delays in the purchase of vehicles and pieces of capital equipment. This did not offset the proceeds of the \$1,500,000 GO Lease Series 2019 and will increase expenses in the following fiscal year.

While revenues have been trending upward, it is merely a matter of time before expenses could outpace realized gains; therefore, the Finance Department continues to recommend items that will stabilize future budgets. Those are:

- Adopting a property tax rate that takes the maximum 4% increase allowed by Kentucky State Statutes. This could lead to an increase in total tax revenue of \$80,000 to \$100,000.
- More useful and productive monitoring of departmental operational expenses.
- Reduced reliance on short-term borrowing.
- Strategic plan for capital needs replacement.
- Continued education for department heads on budget tracking.
- Implementation and enforcement of written standard procedures in all segments of the Finance and Administration Department.
- Continue to implement recommendations from the Audit team.

The Community Development Fund's fund balance increased **\$182,604**. At the end of the fiscal year, the total fund balance in the Community Development Fund was **\$283,429**. In May, the St. Vincent Apartment Complex sold and per the agreement, the owners had to make the \$175,000 balloon payment in order to pay off the loan. This transaction was unexpected and unbudgeted at the time the budget process was completed. The remaining balance is earmarked for the Business Corridor Façade program.

The Capital Project Fund's fund balance increased **\$842,110**. At the end of the fiscal year, the total fund balance in the Capital Projects Fund was **\$1,141,335**. The \$1,235,113 balance of the Series 2015B monies were transferred from General Fund to the Capital Projects Fund in April. This eliminated the need for future operating transfers, as all remaining items in balance are capital in nature. In addition, some of these monies received in this fiscal year are dedicated to projects which were not used to make significant infrastructure improvements in the City through the use of grants for street repaving. Many grants are matching in nature and require the City to meet at least 20% of the total grant. The City is usually responsible for any and all overruns. The matches must be included in the budgeted figures to accurately anticipate balanced funds.

The TIF Fund's fund balance increased **\$31,515**. At the end of the fiscal year, the total fund balance in the TIF Fund was **\$31,515**.



### *Proprietary Funds*

The City's proprietary funds provide the same information found in the government-wide financial statements. See "Business-type Activities" above.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Toward the end of the fiscal year, the Board of Commissioners revised the General Fund budget to make any necessary adjustments to beginning fund balance and to increase/decrease revenues and expenditures to more closely reflect the anticipated actual revenues and expenditures for the year.

The amended General Fund revenue budget (excluding beginning budgetary fund balance) was **\$666,650** higher than the original budget amount. The most significant changes were as follows:

- **\$80,000** increase in Payroll Taxes, excluding growth in the JDIP/KBI rebates. There was strong growth amongst business participating in these programs.
- **\$90,000** increase in Insurance Premium Tax.
- **\$300,000** increase in Property Sales related to Forrest Street.

The revised General Fund expense budget (including transfers) was approximately **\$1,035,290** higher than the original appropriation.

• General Government	<b>\$ 6,840</b>
• Police Department	<b>345,550</b>
• Fire Department	<b>424,740</b>
• Development Services	<b>65,540</b>
• Community Services	<b>50,480</b>
• Municipal Complex	<b>(10,650)</b>
• Capital Outlay	<b>(316,020)</b>
• Debt service	<b>(91,740)</b>
• Transfers out	<b>557,990</b>
• Other Financing Uses	<b><u>2,560</u></b>
<b>Total:</b>	<b>\$ 1,035,290</b>

Actual General Fund revenues (including transfers in) were **\$650,189** higher than the amended budget numbers. There were several variances, both high and low, but the majority increase was from occupational licenses, payroll tax and insurance premium tax, which increased by around \$557,890, collectively.

The actual expenses for the General Fund were **\$1,268,406** lower than the amended budget. Comprising this total were departmental results as listed:

General Government (City Manager's Office and Finance Dept.)	\$ 113,184
Police Department	222,332
Fire Department	224,415
Development Services (Building, Zoning, Code Enforcement)	60,938
Community Services (Admin., Pool, Public Works, Parks & Recreation)	169,435
Municipal Complex	26,104
Capital Outlay*	417,491
Debt Service	30
Transfers out	34,474
<u>Other Financing</u>	<u>3</u>
<b>TOTAL:</b>	<b><u>\$1,268,406</u></b>

\* Capital Outlay is reflected in each department of the Budget, but broken out in a separate category for purposes of the Audit.

## DEBT AND CAPITAL ASSET ADMINISTRATION

### Debt

At year-end, the City had **\$21,474,825** in total outstanding payables, notes, capital leases, compensated absences and bonds compared to **\$41,327,787** last year.

Compensated absences rose \$62,686. The City's total *long-term* debt for governmental activities and business type activities decreased due to the payoff of scheduled debt and NOL bonds.

#### DEBT PRINCIPAL

	Governmental Activities		Business-type Activities		Totals	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Bonds payable						
(backed by City revenues)	\$ 15,275,896	\$ 14,130,000	\$ -	\$ -	\$ 15,275,896	\$ 14,130,000
Bonds payable						
(backed by fee revenues)	-	-	-	20,020,000	-	20,020,000
Compensated absences	1,446,309	1,383,623	-	-	1,446,309	1,383,623
Notes payable						
(backed by City revenues)	4,752,620	5,794,164	-	-	4,752,620	5,794,164
<b>Totals</b>	<b>\$ 21,474,825</b>	<b>\$ 21,307,787</b>	<b>\$ -</b>	<b>\$ 20,020,000</b>	<b>\$ 21,474,825</b>	<b>\$ 41,327,787</b>

For additional information concerning the City's debt, please refer to Notes E and F, to the financial statements, as well as Note G, pages 43 – 48.

## Capital Assets

At the end of June 30, 2004, the City reported for the first time all of its infrastructure. The infrastructure is reported at cost along with the accumulated depreciation. At June 30, 2019, capital assets, before accumulated depreciation, amounted to **\$68,993,918** including equipment, vehicles, buildings, park facilities, streets and sidewalks. This represents a net decrease of **\$48,660,998** or 41.4 percent, over last year.

Capital assets for governmental and business-type activities are summarized in the following table:

	Governmental Activities		Business-type Activities		Totals	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 6,645,184	\$ 6,645,184	\$ -	\$ 9,196,274	\$ 6,645,184	\$ 15,841,458
Land improvements	45,587,640	44,879,579	-	26,281	45,587,640	44,905,860
Buildings and systems	7,269,118	7,183,416	-	40,551,538	7,269,118	47,734,954
Machinery and equipment	2,931,555	2,795,749	-	-	2,931,555	2,795,749
Licensed vehicles	5,349,215	5,235,991	253,750	253,750	5,602,965	5,489,741
Non licensed vehicles	340,805	318,210	-	-	340,805	318,210
Construction in progress	616,651	568,944	-	-	616,651	568,944
Subtotals	\$ 68,740,168	\$ 67,627,073	\$ 253,750	\$ 50,027,843	\$ 68,993,918	\$ 117,654,916
Accumulated depreciation	37,765,252	36,506,684	186,083	27,578,356	37,951,335	64,085,040
Net Assets	<u>\$ 30,974,916</u>	<u>\$ 31,120,389</u>	<u>\$ 67,667</u>	<u>\$ 22,449,487</u>	<u>\$ 31,042,583</u>	<u>\$ 53,569,876</u>

This year's major additions included:

-City-wide LED streetlights	\$ 105,434
-Street resurfacing (various)	385,218
-Buena Vista Park Fitness Court	93,200
-Police Units (8) New/Used	222,850
-Fire Ambulance	197,788
	<u>\$ 1,004,490</u>

For additional information concerning the City's capital assets please refer to Note D in the Notes to Financial Statements on pages 42 and 43.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

As previously mentioned in the letter of transmittal on pages 4 and 5, overall economic outlook for the City continues to be positive. Several large- and small-scale projects are in varying stages of development, and interest in development opportunities along the New State Route 9 on the City's west side continues to grow. It is noteworthy to also mention two tax increment financing districts have been adopted and are now being utilized, meaning that those particular areas will be eligible to receive tax funding from Campbell County and the Commonwealth of Kentucky in addition to funding from the City for use specifically in those areas. Ovation (a Signature TIF), a mixed-use development at the confluence of the Licking and Ohio Rivers, is on schedule to break ground in the spring of 2020.

The City has struggled long and hard to improve City finances and operations over the past ten years. Despite several obstacles, the City has strengthened finances as well as attracted many new developments and businesses. The City's cash balance is nearly \$3 million, and significant investments have been made to repair infrastructure. This has been accomplished through efficient use of our resources and maintaining a very lean staff. There are presently many exciting projects progressing such as the Newport on the Levee sale, the Academy on 4th, the Skywheel, and Ovation. These promise to make the City's future even brighter.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager's Office or the Department of Finance and Administration at 998 Monmouth Street, Newport, Kentucky 41071.

You may also email your request to [lkuntz@newportky.gov](mailto:lkuntz@newportky.gov).

# BASIC FINANCIAL STATEMENTS

**CITY OF NEWPORT, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,268,580	\$ 637,912	\$ 4,906,492
Receivables:			
Property taxes	159,051	-	159,051
Accounts, net	3,420,269	176,700	3,596,969
Prepaid expenses	20,645	-	20,645
Noncurrent assets:			
Restricted cash	2,880,371	-	2,880,371
Internal balances	17,857	(17,857)	-
Capital assets:			
Land and construction in progress	7,261,835	-	7,261,835
Depreciable capital assets, net	<u>23,713,081</u>	<u>67,667</u>	<u>23,780,748</u>
<b>Total Assets</b>	<u>41,741,689</u>	<u>864,422</u>	<u>42,606,111</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows - defeasance on refunding	447,592	-	447,592
Deferred outflows - pension	7,778,100	65,307	7,843,407
Deferred outflows - OPEB	<u>3,381,208</u>	<u>24,582</u>	<u>3,405,790</u>
<b>Total Deferred Outflows of Resources</b>	<u>11,606,900</u>	<u>89,889</u>	<u>11,696,789</u>
<b>Liabilities</b>			
Accounts payable	1,354,591	96,199	1,450,790
Accrued liabilities	660,848	6,829	667,677
Accrued interest payable	128,303	-	128,303
Noncurrent liabilities:			
Compensated absences	1,446,309	-	1,446,309
Net pension liability	31,873,721	302,496	32,176,217
Net OPEB liability	8,692,524	84,907	8,777,431
Other noncurrent liabilities:			
Due within one year	2,038,598	-	2,038,598
Due after one year	<u>17,989,918</u>	<u>-</u>	<u>17,989,918</u>
<b>Total Liabilities</b>	<u>64,184,812</u>	<u>490,431</u>	<u>64,675,243</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - pension	474,162	9,603	483,765
Deferred inflows - OPEB	<u>1,813,050</u>	<u>17,169</u>	<u>1,830,219</u>
<b>Total Deferred Inflows of Resources</b>	<u>2,287,212</u>	<u>26,772</u>	<u>2,313,984</u>
<b>Net Position</b>			
Net investment in capital assets	14,242,797	67,667	14,310,464
Restricted for:			
Other	2,782,359	-	2,782,359
Unrestricted	<u>(30,148,591)</u>	<u>369,441</u>	<u>(29,779,150)</u>
<b>Total Net Position</b>	<u>\$ (13,123,435)</u>	<u>\$ 437,108</u>	<u>\$ (12,686,327)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NEWPORT, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs:			Operating	Capital	Primary Government		
Primary government:			Grants and	Grants and	Governmental	Business-type	
Governmental activities:	Expenses	Charges for	Contributions	Contributions	Activities	Activities	Total
General government	\$ 2,440,244	\$ 283,185	\$ 92,377	\$ -	\$ (2,064,682)	\$ -	\$ (2,064,682)
Police	8,084,358	340,209	420,841	-	(7,323,308)	-	(7,323,308)
Fire/EMS	7,407,263	439,248	-	13,691	(6,954,324)	-	(6,954,324)
Development services	998,908	140,791	-	130,748	(727,369)	-	(727,369)
Community services	3,461,304	38,759	447,249	79,005	(2,896,291)	-	(2,896,291)
Municipal complex	314,084	-	-	-	(314,084)	-	(314,084)
Interest on long-term debt	579,698	-	-	-	(579,698)	-	(579,698)
Total governmental activities	23,285,859	1,242,192	960,467	223,444	(20,859,756)	-	(20,859,756)
Business-type activities:							
Refuse	1,368,960	1,392,280	-	-	-	23,320	23,320
Newport on the Levee	728,808	2,530,242	-	-	-	1,801,434	1,801,434
Total business-type activities	2,097,768	3,922,522	-	-	-	1,824,754	1,824,754
Total primary government	\$ 25,383,627	\$ 5,164,714	\$ 960,467	\$ 223,444	(20,859,756)	1,824,754	(19,035,002)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					2,649,264	-	2,649,264
License fees:							
Payroll/Occupational licenses					9,240,032	-	9,240,032
Insurance premiums					3,523,253	-	3,523,253
Other permits and licenses					617,310	-	617,310
Franchise fees					650,980	-	650,980
Other uses of property					681,811	-	681,811
Interest					62,727	142,345	205,072
Miscellaneous					54,486	-	54,486
Total general revenues					17,479,863	142,345	17,622,208
(Loss) on disposal of assets					(18,197)	(2,311,069)	(2,329,266)
Developer reimbursement - closeout					-	(6,234,845)	(6,234,845)
Transfers in (out)					46,969	(46,969)	-
Change in net position					(3,351,121)	(6,625,784)	(9,976,905)
Net position - beginning					(9,772,314)	7,062,892	(2,709,422)
Net position - ending					\$ (13,123,435)	\$ 437,108	\$ (12,686,327)

The accompanying notes are an integral part of these financial statements.

**CITY OF NEWPORT, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2019**

	<u>General</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>TIF</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 3,556,877	\$ 283,429	\$ 215,917	\$ -	\$ 4,056,223
Receivables:					
Property taxes	159,051	-	-	-	159,051
Accounts	3,301,603	-	118,666	-	3,420,269
Prepays and other assets	20,645	-	-	-	20,645
Due from other funds	17,857	-	164,411	-	182,268
Restricted assets:					
Cash and cash equivalents	<u>1,609,509</u>	<u>-</u>	<u>1,239,296</u>	<u>31,566</u>	<u>2,880,371</u>
<b>Total Assets</b>	<u>\$ 8,665,542</u>	<u>\$ 283,429</u>	<u>\$ 1,738,290</u>	<u>\$ 31,566</u>	<u>\$ 10,718,827</u>
<b>Liabilities</b>					
Accounts payable	\$ 750,756	\$ -	\$ 503,566	\$ 51	\$ 1,254,373
Accrued liabilities	660,848	-	-	-	660,848
Due to other funds	<u>164,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,411</u>
<b>Total Liabilities</b>	<u>1,576,015</u>	<u>-</u>	<u>503,566</u>	<u>51</u>	<u>2,079,632</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	<u>330,468</u>	<u>-</u>	<u>93,389</u>	<u>-</u>	<u>423,857</u>
<b>Fund Balances</b>					
Nonspendable	20,645	-	-	-	20,645
Restricted	1,609,509	-	1,141,335	31,515	2,782,359
Committed	-	-	-	-	-
Assigned	-	283,429	-	-	283,429
Unassigned	<u>5,128,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,128,905</u>
<b>Total Fund Balances</b>	<u>6,759,059</u>	<u>283,429</u>	<u>1,141,335</u>	<u>31,515</u>	<u>8,215,338</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 8,665,542</u>	<u>\$ 283,429</u>	<u>\$ 1,738,290</u>	<u>\$ 31,566</u>	<u>\$ 10,718,827</u>
Total governmental fund balances					\$ 8,215,338
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds,					
net of accumulated depreciation					30,974,916
Net position of internal service fund					112,139
Accrued interest payable on long-term debt					(128,303)
Deferred outflows - defeasance on bond refunding					447,592
Deferred inflows - unavailable revenue					423,857
Long-term liabilities and related pension and OPEB deferred inflows/outflows, are not due and payable in the current period and therefore are not reported in the funds					<u>(53,168,974)</u>
<b>Net position of governmental activities</b>					<u>\$(13,123,435)</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF NEWPORT, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2019**

	<b>General</b>	<b>Community Development</b>	<b>Capital Projects</b>	<b>TIF</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Property taxes	\$ 2,664,512	\$ -	\$ -	\$ 31,646	\$ 2,696,158
Licenses and permits	13,380,595	-	-	-	13,380,595
Intergovernmental	977,849	93,196	79,005	-	1,150,050
Fines and forfeitures	201,112	-	-	-	201,112
Charges for services	1,059,111	-	-	-	1,059,111
Uses of property	1,361,889	233,160	-	-	1,595,049
Interest	53,652	675	7,767	37	62,131
Refunds and reimbursements	24,846	-	23,450	-	48,296
Miscellaneous	5,052	5,037	-	-	10,089
<b>Total Revenues</b>	<u>19,728,618</u>	<u>332,068</u>	<u>110,222</u>	<u>31,683</u>	<u>20,202,591</u>
<b>Expenditures</b>					
Current:					
General government	2,129,726	-	-	-	2,129,726
Police	5,519,158	-	-	-	5,519,158
Fire/EMS	4,864,685	-	-	-	4,864,685
Development services	692,612	149,584	-	168	842,364
Community services	2,054,645	-	141,463	-	2,196,108
Municipal complex	193,556	-	-	-	193,556
Capital outlay	711,489	-	756,315	-	1,467,804
Debt service:					
Principal	1,696,544	-	-	-	1,696,544
Interest	587,406	-	-	-	587,406
<b>Total Expenditures</b>	<u>18,449,821</u>	<u>149,584</u>	<u>897,778</u>	<u>168</u>	<u>19,497,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,278,797</u>	<u>182,484</u>	<u>(787,556)</u>	<u>31,515</u>	<u>705,240</u>
<b>Other Financing Sources (Uses)</b>					
Cost of debt issuance	(6,057)	-	-	-	(6,057)
Bond proceeds	1,500,000	-	-	-	1,500,000
Transfers in	46,969	120	1,629,666	-	1,676,755
Transfers out	(2,129,786)	-	-	-	(2,129,786)
<b>Total Other Financing Sources (Uses)</b>	<u>(588,874)</u>	<u>120</u>	<u>1,629,666</u>	<u>-</u>	<u>1,040,912</u>
<b>Net Change in Fund Balances</b>	689,923	182,604	842,110	31,515	1,746,152
<b>Fund Balances - Beginning</b>	<u>6,069,136</u>	<u>100,825</u>	<u>299,225</u>	<u>-</u>	<u>6,469,186</u>
<b>Fund Balances - Ending</b>	<u>\$ 6,759,059</u>	<u>\$ 283,429</u>	<u>\$ 1,141,335</u>	<u>\$ 31,515</u>	<u>\$ 8,215,338</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NEWPORT, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2019**

**Net change in fund balances - total governmental funds** **\$ 1,746,152**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset purchases capitalized	1,467,804
Depreciation expense	(1,565,982)

Revenues in the statement of activities that do not provide current financial resources are fully deferred in the funds.	(268,123)
--	-----------

Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,696,544
--	-----------

(Loss) on disposal of fixed assets that are only recorded on government-wide financial statements.	(18,197)
--	----------

Proceeds from the sale of capital assets are only reported in the governmental funds.	(29,098)
---	----------

Premiums on bond issuances are amortized through expense in the government-wide financial statements.	23,770
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Defeasance on bond issuances are amortized through expense in the government-wide financial statements.	(38,316)
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Change in the net pension liability.	(4,060,410)
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Change in the net OPEB liability.	(777,816)
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Net proceeds issued on general obligation bonds outstanding is an other financing source in the governmental funds but increases long-term liabilities in the statement of net position.	(1,500,000)
--	-------------

Accrued interest on long-term debt is reported in the government-wide financial statements and not reported in the governmental funds. This is the change in the amount of interest accrued through year end.	(16,062)
---	----------

An internal service fund is used by management to charge the costs of certain activities, such as health and dental insurance to individual funds. The net revenues (expenses) of the internal service fund are reported with governmental activities.	51,299
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as compensated absences.	(62,686)
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<b>Change in net position of governmental activities</b>	<b><u>\$ (3,351,121)</u></b>
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The accompanying notes are an integral part of these financial statements.

**CITY OF NEWPORT, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2019**

	<b>Business-type Activities</b>			<b>Internal Service Funds</b>
	<b>Refuse</b>	<b>Newport on the Levee</b>	<b>Total</b>	<b>Health and Dental</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 637,912	\$ -	\$ 637,912	\$ 212,357
Accounts receivable (net of allowance)	176,700	-	176,700	-
Total current assets	814,612	-	814,612	212,357
Noncurrent assets:				
Capital assets (net of depreciation):				
Vehicles	67,667	-	67,667	-
Total noncurrent assets	67,667	-	67,667	-
<b>Total Assets</b>	882,279	-	882,279	212,357
<b>Deferred Outflows of Resources</b>				
Deferred outflows - pension	65,307	-	65,307	-
Deferred outflows - OPEB	24,582	-	24,582	-
<b>Total Deferred Outflows of Resources</b>	89,889	-	89,889	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	96,199	-	96,199	100,218
Accrued liabilities	6,829	-	6,829	-
Due to other funds	17,857	-	17,857	-
Total current liabilities	120,885	-	120,885	100,218
Noncurrent liabilities:				
Net pension liability	302,496	-	302,496	-
Net OPEB liability	84,907	-	84,907	-
Total noncurrent liabilities	387,403	-	387,403	-
<b>Total Liabilities</b>	508,288	-	508,288	100,218
<b>Deferred Inflows of Resources</b>				
Deferred inflows - pension	9,603	-	9,603	-
Deferred inflows - OPEB	17,169	-	17,169	-
<b>Total Deferred Inflows of Resources</b>	26,772	-	26,772	-
<b>Net Position</b>				
Net investment in capital assets	67,667	-	67,667	-
Unrestricted	369,441	-	369,441	112,139
<b>Total Net Position</b>	\$ 437,108	\$ -	\$ 437,108	\$ 112,139

The accompanying notes are an integral part of these financial statements.

**CITY OF NEWPORT, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2019**

	<b>Business-type Activities</b>			<b>Internal Service Funds</b>
	<b>Refuse</b>	<b>Newport on the Levee</b>	<b>Total</b>	<b>Health and Dental</b>
<b>Operating Revenues</b>				
Charges for sales and services:				
Refuse fees	\$1,298,951	\$ -	\$ 1,298,951	\$ -
Parking fees	-	981,676	981,676	-
PILOT fees	-	875,000	875,000	-
Aquarium and IMAX rent assignment	-	673,566	673,566	-
Franchise fees	50,315	-	50,315	-
Penalties	43,014	-	43,014	-
Other services	-	-	-	1,288,683
<b>Total Operating Revenues</b>	<u>1,392,280</u>	<u>2,530,242</u>	<u>3,922,522</u>	<u>1,288,683</u>
<b>Operating Expenses</b>				
Cost of sales and services	1,318,210	728,808	2,047,018	1,737,979
Depreciation	50,750	-	50,750	-
<b>Total Operating Expenses</b>	<u>1,368,960</u>	<u>728,808</u>	<u>2,097,768</u>	<u>1,737,979</u>
<b>Net Operating Income (Loss)</b>	<u>23,320</u>	<u>1,801,434</u>	<u>1,824,754</u>	<u>(449,296)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest income	5,279	137,066	142,345	595
Developer reimbursement - closeout	-	(6,234,845)	(6,234,845)	-
Loss on sale of capital assets	-	(2,311,069)	(2,311,069)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>5,279</u>	<u>(8,408,848)</u>	<u>(8,403,569)</u>	<u>595</u>
Transfer in (out)	<u>(46,969)</u>	<u>-</u>	<u>(46,969)</u>	<u>500,000</u>
<b>Net Income (loss)</b>	<u>(18,370)</u>	<u>(6,607,414)</u>	<u>(6,625,784)</u>	<u>51,299</u>
<b>Net Position-Beginning Of Year</b>	<u>455,478</u>	<u>6,607,414</u>	<u>7,062,892</u>	<u>60,840</u>
<b>Net Position-End Of Year</b>	<u>\$ 437,108</u>	<u>\$ -</u>	<u>\$ 437,108</u>	<u>\$ 112,139</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NEWPORT, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2019**

	<b>Business-Type Activities</b>			<b>Internal Service Funds</b>
		<b>Newport on the</b>		<b>Health and Dental</b>
	<b>Refuse</b>	<b>Levee</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 1,410,677	\$ 2,272,344	\$ 3,683,021	\$ 1,296,566
Cash paid for employee services and benefits	(167,991)	-	(167,991)	-
Cash paid to suppliers	(1,114,117)	(844,091)	(1,958,208)	(1,757,930)
<b>Net cash provided (used) by operating activities</b>	<u>128,569</u>	<u>1,428,253</u>	<u>1,556,822</u>	<u>(461,364)</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfer from (to) other funds	(38,953)	-	(38,953)	500,000
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(38,953)</u>	<u>-</u>	<u>(38,953)</u>	<u>500,000</u>
<b>Cash flows from capital and related financing activities</b>				
Developer reimbursement - closeout	-	(6,234,845)	(6,234,845)	-
Interest paid on debt	-	(850,850)	(850,850)	-
<b>Net cash (used by) financing activities</b>	<u>-</u>	<u>(7,085,695)</u>	<u>(7,085,695)</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Sale of investments	-	4,423,005	4,423,005	-
Interest income	5,279	290,012	295,291	595
<b>Net cash provided by investing activities</b>	<u>5,279</u>	<u>4,713,017</u>	<u>4,718,296</u>	<u>595</u>
<b>Net increase (decrease) in cash</b>	94,895	(944,425)	(849,530)	39,231
<b>Cash and cash equivalents at beginning of year</b>	<u>543,017</u>	<u>944,425</u>	<u>1,487,442</u>	<u>173,126</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 637,912</u>	<u>\$ -</u>	<u>\$ 637,912</u>	<u>\$ 212,357</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 23,320	\$ 1,801,434	\$ 1,824,754	\$ (449,296)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	50,750	-	50,750	-
Change in net pension liability	32,571	-	32,571	-
Change in net OPEB liability	3,137	-	3,137	-
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	18,397	-	18,397	7,883
Increase (decrease) in accounts payable	(1,253)	(115,283)	(116,536)	(19,951)
Increase (decrease) in accrued liabilities	1,647	-	1,647	-
Increase (decrease) in unearned revenue	-	(257,898)	(257,898)	-
<b>Net cash provided (used) by operating activities</b>	<u>\$ 128,569</u>	<u>\$ 1,428,253</u>	<u>\$ 1,556,822</u>	<u>\$ (461,364)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NEWPORT, KENTUCKY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2019**

		<u><b>Total Retirement Plans</b></u>
<b>Assets</b>		
Investments		
Cash balance in funds	\$ 178,074	
Corporate bonds	147,933	
Closed end funds	379,862	
Mutual funds	179,342	
Market backed securities	28,016	
Preferred securities	20,800	
Government securities	62,799	
Corporate stock	<u>439,426</u>	
Total investments		<u>1,436,252</u>
<b>Total Assets</b>		<u><b>1,436,252</b></u>
<b>Net Position</b>		
Held in trust for pension benefits		<u>1,436,252</u>
<b>Total Net Position</b>		<u><b>\$ 1,436,252</b></u>

The accompanying notes are an integral part of these financial statements.

<p style="text-align: center;"><b>CITY OF NEWPORT, KENTUCKY</b>  <b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION</b>  <b>FIDUCIARY FUNDS</b>  <b>For the Year Ended June 30, 2019</b></p>
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	<u>Total Retirement Plans</u>
<b>Additions</b>	
Contributions:	
Employer	\$ -
Total contributions	<u>-</u>
Investment earnings:	
Interest and dividends	60,330
Net appreciation in the fair value of investments, including realized gains and losses	<u>6,457</u>
Total investment earnings	<u>66,787</u>
<b>Total Additions</b>	<u>66,787</u>
<b>Deductions</b>	
Benefits	458,288
Administrative expense	<u>30,499</u>
<b>Total Deductions</b>	<u>488,787</u>
<b>Change in Net Position</b>	(422,000)
<b>Net Position-Beginning Of Year</b>	<u>1,858,252</u>
<b>Net Position-End Of Year</b>	<u>\$ 1,436,252</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Newport, Kentucky, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

**Financial Reporting Entity**

The City of Newport is a municipality operating under a City Manager form of government. Legislative authority is vested in the Board of Commissioners consisting of the Mayor and four City Commissioners. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations therefore data from these units are combined with data of the primary government. Each blended component unit of the City has a June 30 year-end. The component units discussed below are included in the City's reporting entity because of the significance of their operational and/or financial relationship with the City.

**Included in the Reporting Entity:**

**City of Newport Employees' Retirement Fund**

Certain City employees participate in the non-uniformed Employees' Retirement Fund. The fund functions for the benefit of the retirees and is governed by a seven-member board of trustees: the Mayor, the four City Commissioners, the City Manager, and the Chief Financial Officer. The City is obligated to fund all pension benefit costs based upon actuarial valuations. There are no active employees in the plan.

**City of Newport Policemen and Firefighters' Retirement Fund**

All uniformed public employees who retired prior to August 1, 1988, participate in the Policemen and Firefighters' Retirement Fund. The fund functions for the benefit of the retirees and is governed by a four-member board of trustees: the Mayor, the City Manager, and two public safety retirees. The City is obligated to fund all pension benefit costs based upon actuarial valuations. There are no active employees in the plan.

**City of Newport Municipal Properties Corporation**

The City of Newport Municipal Properties Corporation was formed to act as an agent and to be instrumental in the financing of public improvements and projects of a capital nature for the City and for the particular purpose of acquiring real estate located within the City and constructing, acquiring and equipping thereon capital improvements, facilities, buildings, structures and related appurtenances. The Corporation finances these projects by the issuance of debt. These debt issues are secured by 1) first mortgage liens on the projects, 2) lease and option agreements between the Corporation and the City, 3) the construction agreements and 4) pledged receipts. The lease and option agreements require the City to pay rental from specified revenues, on a yearly basis with the option to renew each year. If the City renews the lease from year-to-year, and pays the rentals for each year as stipulated, and when the Corporation has fully paid and retired all the bonds, the Corporation agrees it will convey the properties to the City free and clear.



**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

The Board of Directors of the Corporation consists of the Mayor and the four City Commissioners. The City Manager serves as Treasurer. The City Clerk serves as Secretary.

The Newport Foundation was formed in March 2009 as a public charity under section 501(c)(3) of the Internal Revenue Service Code, whose purpose is to facilitate the City's many festivals and special events. During the year ended June 30, 2018, the Newport Foundation made changes to its organizational structure. Consequently, the Newport Foundation is no longer presented as a component unit of the City.

*Government-wide Financial Statements*

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent, on fees and charges for services.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internal activity with the Health and Dental Fund is eliminated in the statement of activities.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

*Measurement focus, basis of accounting and financial statement presentation*

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, license fees and interest are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, in

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

accordance with accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The government reports the following funds of the financial reporting entity:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Community Development Fund is used for other community development projects, including state and federally funded programs. The Capital Projects Fund is used to account for capital projects to be financed by grants and/or debt financing. The TIF Fund is used to account for the revenues and expenditures related to the tax increment financing (TIF) districts established by the City.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports on the following proprietary funds:

The Refuse Fund accounts for trash collection services provided to the residential and business owners within City limits.

The Newport on the Levee Fund is responsible for operating the garage structure at the Newport on the Levee project and collecting other miscellaneous payments pursuant to a development agreement between the City and the project developer. The City waived all rights to the Newport on the Levee property and is no longer obligated for any debt associated with Newport on the Levee during the year ended June 30, 2019. As a result of this waiver, the fund has been closed as of June 30, 2019.

The City's only internal service fund is the self-insurance fund for the City's health and dental costs.

Additionally, the City reports two fiduciary funds. The pension trust funds account for the activities of the Policemen and Firefighters' Retirement Fund and Employees' Retirement Fund for the accumulation of resources for pension benefit payments to qualified retired employees.

*Assets, Liabilities, and Net Position or Equity*

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

The City is authorized by state statute to invest in:

- Obligations of the United States and of its agencies and instrumentalities
- Certificates of deposits
- Bankers acceptances
- Commercial paper
- Bonds of other state or local governments
- Mutual funds

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

Investments

In accordance with Governmental Accounting Standards Board Statement No. 31, investments held at June 30, 2019 are recorded at fair value based on quoted market prices, except as otherwise noted.

Property Tax Receivable

Property taxes are levied on September 30 on property values assessed as of January 1. The taxes are billed on approximately September 30 and are due and payable on October 31. On November 1, unpaid bills become delinquent and the City may assess penalties and interest. A lien may be placed on the property on November 1.

Allowance for Doubtful Accounts

Accounts receivable in the statement of net position are presented net of an allowance for doubtful accounts of \$261,506, as of June 30, 2019.

Short-Term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" on the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/payables".

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items utilizing the purchases method for all governmental funds.

Capital Assets

General capital assets are those assets not specifically related to activities in the proprietary fund. These assets are reported in the governmental activities column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in the business-type activities column of the government-wide statement of net position. The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as an expenditure in the governmental funds and capitalized (recorded and accounted for) in the government-wide financial statements. Infrastructure such as streets, parks, and bridges are capitalized. Capital assets are defined by the City as assets with an initial, individual cost of at least \$2,500 and an estimated useful life of two or more years. The valuation basis for capital assets are either historical costs or, where historical costs are not available, estimated historical cost based on replacement cost.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements.

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

	<u>Life, years</u>
Buildings	40
Building Improvements	10-20
Public Domain Infrastructure	25-40
Vehicles	5-15
Machinery and Equipment	3-5

#### Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation pay. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are liquidated in the General Fund.

#### Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

#### Net Position and Fund Balance

Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors or laws and regulations of other governments, or through enabling legislation adopted by the City.

The City uses funds and account groups to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

*Nonspendable* fund balances consist of amounts that are not in spendable form; the City considers prepaid expenses and inventories to be nonspendable.

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

*Restricted* fund balances are amounts that can only be used pursuant to constraints imposed by external sources; such as bond covenant requirements, state government restrictions or the funds restricted by the will of the City's voters. These include the balances of restricted cash in the City's General and Capital Projects Funds. The restricted cash in the General Fund represents unspent bond proceeds that will be used to fund building and improvement projects, equipment and vehicle purchases, and eventually establish a reserve account, as required by the City's creditor. The restricted cash in the Capital Projects Fund represents unspent bond proceeds that will be used to fund multiple public projects. The restricted cash in the TIF Fund represents unspent TIF revenue that will be used to fund TIF projects.

*Committed* fund balances are amounts that can only be used for specific purposes as stipulated internally by the City Commission. These items can only be changed or lifted by the Commission taking the same formal action that imposed the restraint.

*Assigned* fund balances consists of funds that are set aside with the intent to be used for a specific purpose by the City's highest level of decision-making authority or a body or official that has been given the authority to assign funds. This includes the residual balance from the Community Development Fund.

*Unassigned* fund balances consist of all residual funds not included in nonspendable, restricted, committed, or assigned fund balances.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Commission or the finance committee has provided otherwise in its commitment or assignment actions.

#### *Revenues, Expenditures and Expenses*

##### Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, non-capital financing or investing activities.

##### Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, governmental funds are classified as follows:

- Governmental funds – by character:
  - Current – further classified by function
  - Debt service
  - Capital outlay
- Proprietary funds – by operating and non-operating

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses related to the use of economic resources.

Inter-fund Transactions

Inter-fund services provided or used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

*Use of Estimates*

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

*Management's Review of Subsequent Events*

Management has evaluated events through December 27, 2019, the date on which the financial statements were available for issue.

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. In accordance with City ordinance, prior to June 30, the City Manager submits to the Board of Commissioners, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- C. The City Manager is required by Kentucky Revised Statutes to present a quarterly report to the Board of Commissioners explaining any variance from the approved budget.
- D. Appropriations continue in effect until a new budget is adopted.
- E. The Board of Commissioners may authorize supplemental appropriations during the year.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Expenditures may not legally exceed budgeted appropriations at the fund level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Board of Commissioners; however, with proper approval by the City Manager, budgetary transfers between departments can be made. All appropriations lapse at fiscal yearend.

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE C – DEPOSITS AND INVESTMENTS**

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's policy will attempt to match its investments with anticipated cash flow requirements and unless matched to a specific cash flow need, funds should not, in general, be invested in securities maturing more than 5 years from the date of purchase.

*Custodial Credit Risk* – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City's custodial credit risk policy requires that all cash and investments maintained in any financial institution be collateralized, with the exception of certain certificates of deposit approved by the governing body and as outlined in the City's investment policy. It is the City's policy to permit deposits allowed by Kentucky Revised Statutes.

*Cash and Cash Equivalents* – The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2019, the City's deposits were entirely insured and/or collateralized with securities held by the financial institution in the City's name. At June 30, 2019, \$500,000 of deposits were insured by the FDIC and \$8,479,992 of collateral was pledged to the City by the custodial bank. In addition, the City had bank deposits of \$1,239,313 of cash equivalents invested in federal government obligations.

*Investments* – The City had custodial credit risk at June 30, 2019 of \$1,436,252. The related securities totaling this amount are uninsured, unregistered and held by various trust departments. The City has an investment policy for public funds. The City holds the funds above in trust, which is subject to policy mandated by Kentucky statute that allows for trust funds to be invested in securities which would be regarded by a prudent businessman as a safe investment.

As of June 30, 2019, the City had the following investments:

Investment Type	Investment Value	Weighted Average Maturity (Years)
Corporate bonds	\$ 147,933	9.19
Market backed securities	28,016	6.50
Preferred securities	20,800	10.52
Government securities	62,799	9.49
Cash balance in funds	178,074	-
Mutual funds	179,342	-
Common stock	439,426	-
Closed end funds	379,862	-
Total investments	<u>\$ 1,436,252</u>	
Portfolio weighted average maturity		<u>1.64</u>

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

*Credit Risk – Investments* – As of June 30, 2019, the City's investments in corporate bonds received the following ratings by Standard & Poor's:

Investment	Rating
<b>Corporate bonds – Fiduciary Funds</b>	
American Express	A-
Bank of America	A-
United Mexican States	BBB+
General Electric Capital Corp.	BBB+
Goldman Sachs	BBB+
JP Morgan Chase Global	A-
Prudential Financial Inc.	A
Verizon Communications	BBB+
Wells Fargo & Company	A-

*Investment Valuation* - The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2019:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Corporate income	\$ 147,933	\$ -	\$ 147,933	\$ -
Market backed securities	28,016	-	28,016	-
Preferred securities	20,800	20,800	-	-
Government securities	62,799	-	62,799	-
Cash balance in funds	178,074	178,074	-	-
Mutual funds	179,342	179,342	-	-
Common stock	439,426	439,426	-	-
Closed end funds	<u>379,862</u>	<u>379,862</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,436,252</u>	<u>\$ 1,197,504</u>	<u>\$ 238,748</u>	<u>\$ -</u>



**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE D – CAPITAL ASSETS AND DEPRECIATION**

Capital assets activity for the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Additions	Retirements/ Adjustments	Balance June 30, 2019
Governmental activities:				
Items not being depreciated:				
Construction in progress	\$ 568,944	\$ 154,961	\$ (107,254)	\$ 616,651
Land	<u>6,645,184</u>	<u>-</u>	<u>-</u>	<u>6,645,184</u>
Subtotal	<u>7,214,128</u>	<u>154,961</u>	<u>(107,254)</u>	<u>7,261,835</u>
Capital assets being depreciated:				
Land improvements	44,879,579	708,061	-	45,587,640
Buildings	7,183,416	85,702	-	7,269,118
Machinery and equipment	2,795,749	135,806	-	2,931,555
Licensed vehicles	5,235,991	420,638	(307,414)	5,349,215
Non-licensed vehicles	<u>318,210</u>	<u>22,595</u>	<u>-</u>	<u>340,805</u>
Subtotal	<u>60,412,945</u>	<u>1,372,802</u>	<u>(307,414)</u>	<u>61,478,333</u>
Accumulated depreciation:				
Land improvements	(26,410,683)	(922,684)	-	(27,333,367)
Buildings	(3,709,042)	(201,221)	-	(3,910,263)
Machinery and equipment	(2,442,112)	(108,548)	-	(2,550,660)
Licensed vehicles	(3,707,047)	(321,468)	307,414	(3,721,101)
Non-licensed vehicles	<u>(237,800)</u>	<u>(12,061)</u>	<u>-</u>	<u>(249,861)</u>
Subtotal	<u>(36,506,684)</u>	<u>(1,565,982)</u>	<u>307,414</u>	<u>(37,765,252)</u>
Net depreciable capital assets	<u>23,906,261</u>	<u>(193,180)</u>	<u>-</u>	<u>23,713,081</u>
Total capital assets, net	<u>\$ 31,120,389</u>	<u>\$ (38,219)</u>	<u>\$ (107,254)</u>	<u>\$ 30,974,916</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 35,086
Police	128,510
Fire/EMS	256,692
Development services	56,176
Community services	968,990
Municipal complex	<u>120,528</u>
Total governmental activities depreciation expense	<u>\$ 1,565,982</u>

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

The following is a summary of changes in the capital assets in the proprietary funds:

	Balance June 30, 2018	Additions	Retirements/ Adjustments	Balance June 30, 2019
Proprietary activities:				
Land	\$ 9,196,274	\$ -	\$ (9,196,274)	\$ -
Land improvements	26,281	-	(26,281)	-
Vehicles	253,750	-	-	253,750
Buildings	40,551,539	-	(40,551,539)	-
Subtotal	<u>50,027,844</u>	<u>-</u>	<u>(49,774,094)</u>	<u>253,750</u>
Accumulated depreciation				
Land improvements	(26,281)	-	26,281	-
Vehicles	(135,333)	(50,750)	-	(186,083)
Buildings	(27,416,743)	-	27,416,743	-
Subtotal	<u>(27,578,357)</u>	<u>(50,750)</u>	<u>27,443,024</u>	<u>(186,083)</u>
Net capital assets	<u>\$ 22,449,487</u>	<u>\$ (50,750)</u>	<u>\$ (22,331,070)</u>	<u>\$ 67,667</u>

Proprietary fund depreciation was charged to the Refuse Fund in the amounts of \$50,750. All of the Newport on the Levee assets were surrendered by the City in December 2018.

**NOTE E – LONG-TERM DEBT**

***Governmental Activities***

*Notes Payable*

All notes payable are payable from general fund revenues and are secured by City assets.

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

Note Payable – Kentucky Infrastructure Authority

The City entered into a loan agreement with the Kentucky Infrastructure Authority on September 16, 1994, to fund the development of the Channel Crossing Project in the amount of \$2,331,899 with an annual interest rate of 5.25%. The repayment of the loan is on a thirty-year amortization schedule with a balloon payment due in year twenty. This note was refinanced with the Kentucky Infrastructure authority on December 1, 2006, with a new repayment amortization schedule of twenty years and a new interest rate of 1.40%. The balance at June 30, 2019, is \$878,862. The following is a schedule of future debt service requirements to maturity as of June 30, 2019:

Year Ended June 30,	Note Payable KIA		
	Principal	Interest/ Fees	Total Debt Service
2020	\$ 141,416	\$ 13,498	\$ 154,914
2021	143,403	11,228	154,631
2022	145,418	8,925	154,343
2023	147,460	6,590	154,050
2024	149,532	4,223	153,755
2025	151,633	1,822	153,455
Total	<u>\$ 878,862</u>	<u>\$ 46,286</u>	<u>\$ 925,148</u>

Note Payable - Bank of Kentucky

The City entered into a lease agreement for \$8,042,767 with Bank of Kentucky on December 27, 2013, to currently refund the outstanding General Obligation Public Project Bonds, Series 2002. The obligation constitutes a general obligation of the City and is payable semi-annually in May and November with final maturity on November 1, 2022. The obligation bears interest at a rate of 2.90%. The balance of the note at June 30, 2019 is \$3,873,758. The following is a schedule of future debt service requirements to maturity as of June 30, 2019:

Year Ended June 30,	Bank of Kentucky Note Payable		
	Principal	Interest	Total Debt Service
2020	\$ 927,551	\$ 98,889	\$ 1,026,440
2021	956,118	71,576	1,027,694
2022	982,601	43,465	1,026,066
2023	1,007,488	14,609	1,022,097
Total	<u>\$ 3,873,758</u>	<u>\$ 228,539</u>	<u>\$ 4,102,297</u>

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

*Bonds Payable*

The following bonds payable are payable from general fund revenues and are secured by the City assets which were financed by the bonds.

General Obligation Refunding Bonds, Series 2015

On September 24, 2015, the City issued \$6,910,000 of refunding bonds. The bonds have an interest rate ranging between 2% and 4% and mature on May 1, 2030. The bonds were issued with a premium of approximately \$30,000 that will be amortized over the life of the bond. The proceeds from the bonds were used to refund Taxable General Obligation Bonds, Series 2007B. The principal balance at June 30, 2019 is \$6,110,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2019:

	General Obligation Refunding Bonds, Series 2015		
June 30,	Principal	Interest	Total Debt Service
2020	\$ 380,000	\$ 216,413	\$ 596,413
2021	395,000	205,013	600,013
2022	415,000	193,163	608,163
2023	420,000	180,713	600,713
2024	440,000	168,113	608,113
2025-2029	2,385,000	612,288	2,997,288
2030-2031	1,675,000	135,600	1,810,600
Total	<u>\$ 6,110,000</u>	<u>\$ 1,711,303</u>	<u>\$ 7,821,303</u>

General Obligation Bonds, Series 2015B

On November 12, 2015, the City issued \$5,085,000 of general obligation bonds. The bonds have an interest rate ranging between 3% and 3.75% and mature on October 1, 2040. The bonds were issued with a premium of approximately \$189,000 that will be amortized over the life of the bond. Proceeds were used to finance a portion of the costs of multiple public projects, comprised of infrastructure improvements, a new public works facility, underground utilities and multiple miscellaneous capital improvements and refund the General Obligation Bond Anticipation Notes, Series 2014. The principal balance at June 30, 2019 is \$5,040,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2019:

	General Obligation Bonds, Series 2015B		
June 30,	Principal	Interest	Total Debt Service
2020	\$ 15,000	\$ 159,975	\$ 174,975
2021	20,000	159,450	179,450
2022	20,000	158,850	178,850
2023	20,000	158,250	178,250
2024	560,000	149,550	709,550
2025-2029	2,325,000	500,625	2,825,625
2030-2034	1,055,000	263,194	1,318,194
2035-2039	700,000	128,275	828,275
2040-2041	325,000	12,281	337,281
Total	<u>\$ 5,040,000</u>	<u>\$ 1,690,450</u>	<u>\$ 6,730,450</u>

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

General Obligation Bonds, Series 2016

In July 2016, the City issued \$3,135,000 of general obligation bonds. The bonds have an interest rate ranging between 1% and 3% and mature on May 1, 2027. The bonds were issued with a premium of \$162,129 that will be amortized over the life of the bond. Proceeds were used to refund the General Obligation Bond, Series 2007A. The principal balance at June 30, 2019 is \$2,325,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2019:

General Obligation Bonds, Series 2007A			
Year Ended June 30,	Principal	Interest	Total Debt Service
2020	\$ 270,000	\$ 58,850	\$ 328,850
2021	275,000	56,150	331,150
2022	275,000	53,400	328,400
2023	285,000	45,150	330,150
2024	295,000	36,600	331,600
2025-2027	925,000	55,950	980,950
Total	<u>\$ 2,325,000</u>	<u>\$ 306,100</u>	<u>\$ 2,631,100</u>

General Obligation Bonds, Series 2019

In January 2019, the City issued \$1,500,000 of general obligation bonds. The bonds have an interest rate of 3.27% and mature on January 17, 2024. Proceeds are to be used to fund building and improvement projects and equipment and vehicle purchases. The principal balance at June 30, 2019, is \$1,500,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2019:

General Obligation Bonds, Series 20019			
Year Ended June 30,	Principal	Interest	Total Debt Service
2020	\$ 280,861	\$ 46,773	\$ 327,634
2021	290,120	37,513	327,633
2022	299,685	27,949	327,634
2023	309,564	18,069	327,633
2024	319,770	7,864	327,634
Total	<u>\$ 1,500,000</u>	<u>\$ 138,168</u>	<u>\$ 1,638,168</u>

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

*Changes in Long-Term Liabilities*

During the year ended June 30, 2019 the following changes occurred in long-term liabilities in the governmental funds:

	June 30, <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	June 30, <u>2019</u>	Due within <u>One Year</u>
Compensated absences	\$ 1,383,623	\$ 62,686	\$ -	\$ 1,446,309	\$ -
GO refunding bonds - 2015	6,480,000	-	(370,000)	6,110,000	380,000
Gen. obligation bonds - 2015B	5,055,000	-	(15,000)	5,040,000	15,000
Premium on bonds issued - 2015	192,015	-	(9,031)	182,984	9,031
Gen. obligation bonds - 2016	2,595,000	-	(270,000)	2,325,000	270,000
Premium on bonds issued - 2016	132,651	-	(14,739)	117,912	14,739
Notes payable - KIA	1,018,319	-	(139,457)	878,862	141,416
Notes Payable - Bank of Kentucky	4,775,845	-	(902,087)	3,873,758	927,551
Gen. obligation bonds - 2019	-	1,500,000	-	1,500,000	280,861
Net pension liability	28,786,972	3,086,749	-	31,873,721	-
Net OPEB liability	<u>9,669,945</u>	<u>-</u>	<u>(977,421)</u>	<u>8,692,524</u>	<u>-</u>
Total	<u>\$ 60,089,370</u>	<u>\$ 4,649,435</u>	<u>\$ (2,697,735)</u>	<u>\$ 62,041,070</u>	<u>\$ 2,038,598</u>

***Proprietary Activities***

**2000A&B Revenue Bonds**

On April 1, 2000, the City issued First Mortgage Revenue Bonds in the amount of \$55,780,000, consisting of \$11,550,000 in taxable 2000 Series B bonds at an 11% coupon rate maturing in January 2009 and \$44,230,000 in tax-exempt 2000 Series A bonds at an 8.75% coupon rate maturing in January 2027, to finance and acquire real property, a public parking garage facility, a public plaza area, land, and a surface parking lot at Newport on the Levee. The issue called for semi-annual interest payments on January 1 and July 1 and annual principal payments on January 1. Revenues from the Newport on the Levee fund were pledged to the retirement of this debt, and the Newport on the Levee property was collateral for this debt. The 2000 Series B bonds were paid in full in fiscal year 2009. The balance remaining at June 30, 2018 of \$20,020,000 consisted of only 2000 Series A tax-exempt bonds. All of the outstanding Series 200A bonds were surrendered by the City in December 2018. The City is no longer obligated for the repayment of this debt and the City has waived all rights to the Newport on the Levee property.

*Changes in Long-Term Liabilities*

Long-term liability activity for business-type activities for the year ended June 30, 2019, was as follows:

	June 30, <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	June 30, <u>2019</u>	Due within <u>One Year</u>
Newport on the Levee	\$ 20,020,000	\$ -	\$(20,020,000)	\$ -	\$ -
Net pension liability	294,440	8,056	-	302,496	-
Net OPEB liability	<u>97,225</u>	<u>-</u>	<u>(12,318)</u>	<u>84,907</u>	<u>-</u>
Total	<u>\$ 20,411,665</u>	<u>\$ 8,056</u>	<u>\$(20,032,318)</u>	<u>\$ 387,403</u>	<u>\$ -</u>

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**NOTE F – CLAIMS AND JUDGMENTS**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**NOTE G – DEFINED BENEFIT PENSION PLANS**

The government maintains two single-employer, defined benefit pension plans, the Employees' Retirement Fund and the Policemen and Firefighters' Retirement Fund (PFRF). The City also participates in the Commonwealth of Kentucky County Employees' Retirement System (CERS), which covers all governmental employees not already covered by the Employees' Retirement Fund or the PFRF.

Policemen and Firefighters' Retirement Fund and the Employees' Retirement Fund

*Plan Description* – The plans are presented as fiduciary funds in the City's financial statements. The Employees' Retirement Fund covers substantially all non-public safety employees hired prior to April 1, 1977. The Policemen and Firefighters' Retirement Fund covers all retired policemen and firefighters who were receiving benefits prior to August 1, 1988. Each plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

Neither plan has active members. In addition, future employees are not eligible to participate in the plans. The Employees' Retirement fund has 2 retired and 11 beneficiary members receiving benefits. The Policemen and Firefighters' Retirement fund has 3 retired, 5 disabled, and 16 beneficiary members receiving benefits.

*Benefits Provided* – Benefits for the Employees' Retirement Fund are provided and may be amended by City ordinance. Benefits for the Policemen and Firefighters' Retirement Fund are provided by state statute. Members are vested and retirement is available upon completion of 20 years of service. The monthly benefit at retirement is 2.5% of average salary for the first 20 years of service plus 1% per year after 20 years with a maximum benefit of 65% of average salary. The Policemen and Firefighters' Retirement Fund has a minimum benefit of \$434. Cost-of-living adjustments, for the Policemen and Firefighters' Retirement Fund are provided at the discretion of the Board of Trustees.

*Contributions* – The City must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes. No contributions were made for the year ending June 30, 2019, for either fund; however, contributions were made in fiscal year 2007 in excess of the annual required contribution. At June 30, 2019, neither pension fund was overfunded based on the fiscal year 2007 payments. The City is developing a plan to generate the contributions that are necessary to fund the Plans and prevent estimated depletions.

*Measurement Focus and Basis of Accounting* – The Plans' operations are accounted for on an economic resources measurement focus and the accrual basis of accounting. Employer contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan.

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The Employees' Retirement Fund and the Policemen and Firefighters' Retirement Fund implemented Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans in 2014. The fiduciary fund statements are presented in accordance with Statement No. 67. The Primary Government (PG), as the Plan's single-employer, implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions in fiscal year 2015.

The following was the Board's adopted target allocation and the long-term expected rate of return on Plan investments for the Employees' Retirement Fund and the Policemen and Firefighters' Retirement Fund.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Rate of Return</b>
Fixed income	30%	-
Equity funds	60%	-
Cash	10%	-
	<u>100%</u>	<u>4.5%</u>

*Investments* – Investments are reported at fair value.

The Plans' policy for allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Investments that represent 5% or more of the net position of the Employees' Retirement Fund at June 30, 2019, are as follows:

<b>Investment</b>	<b>Fair Value</b>
SPDR S&P 500 ETF TR	\$ 87,900
Verizon Communications Inc.	\$ 17,139
Fidelity Advisor New Insights Fund Class I	\$ 15,877
Invesco QQQ Trust ETF	\$ 18,674

Investments that represent 5% or more of the net position of the Policemen and Firefighters' Retirement Fund at June 30, 2019, are as follows:

<b>Investment</b>	<b>Fair Value</b>
SPDR S&P 500 ETF TR	\$ 117,200
Amazon.com Inc.	\$ 94,682
Invesco QQQ Trust ETF	\$ 74,696

*Net Pension Liability* – The components of the net pension liability at June 30, 2019, were as follows:

**Employees' Retirement Fund:**

Total pension liability	\$ 1,237,417
Less: Plan fiduciary net position	<u>219,820</u>
Net pension liability	<u>\$ 1,017,597</u>
Plan fiduciary net pension as a percentage of total pension liability	17.76%



<p style="text-align: center;"><b>CITY OF NEWPORT, KENTUCKY</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>June 30, 2019</b></p>
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Policemen and Firefighters' Retirement Fund:

Total pension liability	\$ 2,545,765
Less: Plan fiduciary net position	<u>1,218,687</u>
Net pension liability	<u>\$ 1,327,078</u>
Plan fiduciary net pension as a percentage of total pension liability	47.87%

*Actuarial Assumptions* – The total pension liability for both Plans was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

Employees' Retirement Fund:

Cost of Living	- %
Salary Adjustments	N/A
Investment Rate of Return	4.5 %

Policemen and Firefighters' Retirement Fund

Cost of Living	- %
Salary Adjustments	N/A
Investment Rate of Return	4.5 %

Mortality rates for healthy individuals were based on RP 2014 Total Mortality Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale MP-2017. Mortality rates for disabled individuals were based on RP 2014 Disabled Mortality Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale MP-2014.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study from 2006 – 2014.

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The long-term expected rate of return on Plan investments was determined using 10-year return expectations based on historical data in different yield environments. Best estimates of the geometric rates of return for each major asset class, included in the Plan's target asset allocation at June 30, 2019, is as follows:

Employees' Retirement Fund:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed income	3.20 %
Equity funds	6.10 %
Alternative funds	7.32 %

Policemen and Firefighters' Retirement Fund

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed income	3.20 %
Equity funds	6.10 %
Alternative funds	7.32 %

*Discount Rate* – The discount rate used to measure the total pension liability was 3.34% for the Policemen and Firefighters' Retirement Fund and 3.16% for the Employees' Retirement Fund. The discount rate was determined by blending the expected rate of return of 4.50% until the fund is depleted and then a 3.15% twenty-year tax-exempt municipal bond rate, which is the rate that current municipal bonds are available to similar cities. The Employees' Retirement Fund is expected to be depleted by year two following the measurement date and the Policemen and Firefighters' Retirement Fund is expected to be depleted by year six following the measurement date.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following presents the net pension liability calculated using the discount rate noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower and higher than the current rate.

Employees' Retirement Fund:

	<b>Discount Rate</b>	<b>Net Pension Liability (Asset)</b>
1% decrease	2.16%	\$ 1,121,850
Current discount rate	3.16%	\$ 1,017,597
1% increase	4.16%	\$ 928,259

Policemen and Firefighter's Retirement Fund:

	<b>Discount Rate</b>	<b>Net Pension Liability (Asset)</b>
1% decrease	2.34%	\$ 1,519,062
Current discount rate	3.34%	\$ 1,327,078
1% increase	4.34%	\$ 1,159,522

<p align="center"><b>CITY OF NEWPORT, KENTUCKY</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>June 30, 2019</b></p>
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At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the Employees' Retirement Fund from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	6,548
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
<b>Total</b>	<u><u>\$ -</u></u>	<u><u>\$ 6,548</u></u>

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the Policemen and Firefighters' Retirement Fund from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	26,462
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
<b>Total</b>	<u><u>\$ -</u></u>	<u><u>\$ 26,462</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows for Employees' Retirement Fund and the Police and Firefighters' Retirement fund:

**Year ending June 30,**

2020	\$ 9,707
2021	\$ (35,173)
2022	\$ (9,872)
2023	\$ 2,328

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County Employees Retirement System (CERS) Pension Plan

The City of Newport is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

*Plan Description* – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each city, county, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5%, provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

*Non-hazardous Benefits* – For members who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 5-high creditable compensation years with a minimum of 48 months and a minimum of five fiscal years. Final compensation is determined by dividing the total salary earned during the 5-high years by the number of months worked, then multiplying by twelve. Non-hazardous members, age 65 or older, or with 27 or more years of service are eligible to retire and receive unreduced benefits. Any non-hazardous member, age 55, with a minimum of five years of service may retire with a reduction in benefits.

For non-hazardous members who began contributing to CERS on or after September 1, 2008, any member age 57 or older, may retire with no reduction in benefits if the member's age and years of service equal 87. In addition, a member, age 65, with at least 60 months of service may retire with no reduction in benefits. A member, age 60 or older, with at least 120 months of service credit may retire at any time with a reduction of benefits.

*Hazardous Benefits* – For members who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 3-high creditable compensation years with a minimum of 24 months and a minimum of three fiscal years. Final compensation is determined by dividing the total salary earned during the 3-high years by the number of months worked, then multiplying by twelve. Hazardous members, age 55 or older, or with 20 or more years of service are eligible to retire and receive unreduced benefits. Any hazardous member, age 50, with a minimum of fifteen years of service may retire with a reduction in benefits.

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For hazardous members who began contributing to CERS on or after September 1, 2008, any member age 60 or older with 60 months or service or a member with 25 years of service, may retire with no reduction in benefits. A member, age 50 or older, with at least 180 months of service credit may retire at any time with a reduction of benefits.

*Non-hazardous Contributions* – For the year ended June 30, 2019, plan members were required to contribute 5% of their annual creditable compensation. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate.

Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2019, participating employers contributed 21.48% of each employee's creditable compensation, which was the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described below. Plan members contributed 16.22% to the pension trust for non-hazardous job classifications. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

*Hazardous Contributions* – For the year ended June 30, 2019, plan members were required to contribute 8% of their annual creditable compensation. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate.

Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2019, participating employers contributed 35.34% of each employee's creditable compensation, which was the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described below. Plan members contributed 24.87% to the pension trust for hazardous job classifications. Administrative costs of the KRS are financed through employer contributions and investment earnings.

For the year ended June 30, 2019, the City contributed \$471,725, or 100% of the required contribution for non-hazardous job classifications, and \$1,979,281, for the year ended June 30, 2019, or 100% of the required contribution for hazardous job classifications. The contributions were allocated \$356,209 and \$1,392,890, respectively, to the CERS pension fund and \$115,516 and \$586,391, respectively, to the CERS insurance fund. The CERS insurance fund is more fully described below.

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2019, the City reported a liability for its proportionate share of the net pension liability as follows:

<b>Total CERS Net</b>		
<b>Pension Liability</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
<u>\$ 29,831,542</u>	<u>\$ 5,261,110</u>	<u>\$ 24,570,432</u>

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The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2018, was as follows:

Non-hazardous	Hazardous
.0864%	1.016%

The non-hazardous proportionate share at June 30, 2018, decreased by .001% from the proportionate share as of June 30, 2017. The hazardous proportionate share at June 30, 2018, increased by .047% from the proportionate share as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$5,725,764. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 2,126,995	\$ 77,012
Changes of assumptions	3,129,602	-
Net difference between projected and actual earnings on Plan investments	-	340,227
Changes in proportion and differences between City contributions and proportionate share of contributions	841,221	33,516
City contributions subsequent to the measurement date	1,745,589	-
Total	<u>\$ 7,843,407</u>	<u>\$ 450,755</u>

The \$1,745,589 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2020	\$ 3,907,358
2021	\$ 1,955,952
2022	\$ (77,056)
2023	\$ (139,191)

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*Actuarial Assumptions* – The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous**

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

**Hazardous**

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP- 2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

The long-term expected return of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>US Equity</b>	<b>17.50%</b>	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
<b>Non US Equity</b>	<b>17.50%</b>	
International	12.50%	6.50%
Developed		
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
<b>Total</b>	<b>100.00%</b>	<b>6.09%</b>

*Discount Rate* – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	<b>Non-hazardous</b>		<b>Hazardous</b>	
	<b>Discount rate</b>	<b>City's proportionate share of net pension liability</b>	<b>Discount rate</b>	<b>City's proportionate share of net pension liability</b>
1% decrease	5.25%	\$ 6,623,192	5.25%	\$ 30,785,146
Current discount rate	6.25%	\$ 5,261,110	6.25%	\$ 24,570,432
1% increase	7.25%	\$ 4,119,923	7.25%	\$ 19,432,812



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*Payable to the Pension Plan* – At June 30, 2019, the City reported a payable of \$272,464 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019. The payable includes both the pension and insurance contribution allocation.

County Employees' Retirement System (CERS) Postemployment Benefits Other Than Pensions (OPEB)

*Plan Description* – The City of Newport participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

*Contributions* – Plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2019, the employer's contribution was 5.26% to the insurance trust for non-hazardous job classifications and 10.47% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2019, the City contributed \$115,516, or 100% of the required contribution for non-hazardous job classifications, and \$586,391, or 100% of the required contribution for hazardous job classifications.

*Benefits* – CERS provides health insurance benefits to Plan employees and beneficiaries. For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before July 1, 2003
	Insurance eligibility	10 years of service credit required
	Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date	Before September 1, 2008 but after July 1, 2003
	Insurance eligibility	10 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date	After September 1, 2008 and before December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date	After December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually

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*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2019, the City reported a liability for its proportionate share of the net OPEB liability as follows:

<b>Total Net OPEB Liability</b>	<b>Non-hazardous</b>	<b>Hazardous</b>
<u>\$ 8,777,431</u>	<u>\$ 1,533,677</u>	<u>\$ 7,243,754</u>

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2018 was .0864% for non-hazardous and 1.016% for hazardous, which was a decrease of .001% and an increase of .047%, respectively, compared to the proportionate share as of June 30, 2017.

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,457,045. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ -	\$ 988,242
Changes of assumptions	2,529,206	125,454
Net difference between projected and actual earnings on Plan investments	-	692,191
Changes in proportion and differences between City contributions and proportionate share of contributions	179,917	24,332
City contributions subsequent to the measurement date	<u>696,667</u>	<u>-</u>
Total	<u>\$ 3,405,790</u>	<u>\$ 1,830,219</u>

The \$696,667 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. This includes adjustments of \$24,741 for the nonhazardous implicit subsidy and (\$28,842) for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

**Year ending June 30,**

2020	\$ 486,043
2021	\$ 486,043
2022	\$ 86,219
2023	\$ (150,340)
2024	\$ (17,839)
2025	\$ (11,222)

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous and  
Hazardous**

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	<p>Pre – 65: Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.</p> <p>Post – 65: Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.</p>

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018, was based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighing the expected future real rate of return by the target asset allocation percentage.

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

The target allocation and best estimates of arithmetic nominal real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>US Equity</b>	<b>17.50%</b>	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
<b>Non US Equity</b>	<b>17.50%</b>	
International	12.50%	6.50%
Developed		
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
<b>Total</b>	<b>100.00%</b>	<b>6.09%</b>

*Discount Rate* – The discount rate used to measure the total net OPEB liability was 5.85% and 5.97% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

*Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate* – The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net OPEB liability	Discount rate	City's proportionate share of net OPEB liability
1% decrease	4.85%	\$ 1,991,996	4.97%	\$ 10,069,180
Current discount rate	5.85%	\$ 1,533,677	5.97%	\$ 7,243,754
1% increase	6.85%	\$ 1,143,266	6.97%	\$ 4,981,934

*Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate* – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Non-hazardous		Hazardous	
		City's proportionate share of net OPEB liability		City's proportionate share of net OPEB liability
1% decrease		\$ 1,141,835		\$ 4,933,349
Current trend rate		\$ 1,533,677		\$ 7,243,754
1% increase		\$ 1,995,538		\$ 10,105,296

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

#### **NOTE H – DEFERRED COMPENSATION PLAN**

Employees of the City may participate in the deferred compensation plan adopted under the provision of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Employees may also participate in a Section 401(k) adopted under the provisions of the Internal Revenue Code. The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable financial emergency. During the year ended June 30, 2019, contributions to the 457 and 401(k) deferred compensation plans totaled \$305,152 and \$254,474, respectively.

The deferred compensation plans are administered by the Kentucky Public Employees' Kentucky Deferred Compensation Authority.

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE I – INTER-FUND TRANSACTIONS**

A summary of the inter-fund account balances is as follows:

Receivable Funds	Payable Funds	Amount
General	Refuse	\$ <u>17,857</u>
Capital Projects	General	\$ <u>164,411</u>

Many of the outstanding balances between funds are short-term loans for payments of payables prior to the transfer of funds to cover such payables.

Inter-fund transfers at June 30, 2019 are as follows:

Transfer Out:	Transfer In:				Total
	General Fund	Community Development	Capital Projects	Employee Benefits	
General Fund	\$ -	\$ 120	\$ 1,629,666	\$ 500,000	\$ 2,129,786
Refuse Fund	<u>46,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,969</u>
	<u>\$ 46,969</u>	<u>\$ 120</u>	<u>\$ 1,629,666</u>	<u>\$ 500,000</u>	<u>\$ 2,176,755</u>

Transfers are used to (1) move debt service funds to the General Fund where all debt service is paid, or (2) move funds from the fund that collected them to the fund that will be making the budgeted disbursement.

**NOTE J – CONTINGENT LIABILITIES**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

**NOTE K – RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads.

All general liability risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City has established a Health and Dental Self-Insurance Fund. Employees participate in the program and certain other medical insurance programs offered by the City. Under this program, the first \$30,000 of a participant's medical claim are payable by the Health and Dental Self-Insurance Fund. The City purchases insurance for claims in excess of coverage provided by the fund. The General Fund participates in the program and makes payments to the Health and Dental Fund based on estimates of

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

the amount needed to pay current year claims. A liability for incurred but not reported claims as of June 30, 2019, has not been estimated based on the nature of the claims process. This is in accordance with the requirements of GASB Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements unless such an estimate cannot be made.

The General Fund contains no provision for estimated legal claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

**NOTE L – TAX ABATEMENTS**

Job Development/KBI Incentive Programs

The City of Newport Jobs Development Incentive Program (JDIP) was created in 2007 to “recognize the importance of a growing and expanding economy by providing incentives for the creation of new jobs in the service, technology, and industrial sectors.” Manufacturing and technology companies and professional offices meeting the eligibility criteria may qualify for a rebate of occupational tax withholdings for up to ten years. Pursuant to Section 37.215 of the Newport City Code of Ordinances, a company must meet several eligibility criteria including the following:

- 1) It is a sole proprietorship, partnership or corporation authorized to do business in the Commonwealth of Kentucky exclusive of retail industry jobs, bars, hotels/motels or jobs in a sexually oriented business/adult entertainment business as elsewhere defined within the City's Code of Ordinances; and
- 2) It engages in industrial, service or technology activity inside the corporate limits of the City; or
- 3) It engages in the services of a licensed professional, such as, but not limited to, architects, attorneys, engineers, physicians, psychiatrists, psychologists and certified public accountants.
- 4) A project shall be eligible for employee withholdings credit only if it directly creates new jobs so as to generate employee withholdings sufficient to qualify the applicant for not less than the minimum incentive program amount.
- 5) The applicant must generate a minimum of \$250,000 in Newport taxable wages each fiscal year of the credit.

The City collects the full amount of the withholdings and, following a review of the criteria within the agreement, issues a rebate to the business. In the event of default under an employee withholdings credit agreement, the City may suspend the credit until such time as the default is cured or the City may terminate the credit. If the credit is terminated, the City may initiate legal proceedings to recover the amount of employee withholdings credited to the approved company up to the date the credit was terminated.

Kentucky's Business Investment (KBI) Program provides income tax credits and wage assessments to new and existing agribusinesses, regional and national headquarters, manufacturing companies, and non-retail service or technology related companies that locate or expand operations in Kentucky. KBI is authorized through KRS 154.32-010 through KRS 154.32-100. The City participates in Kentucky Business Investment programs with the State's Cabinet for Economic Development.

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

Taxes abated under this program during the year ended June 30, 2019, were as follows:

<u>Recipient</u>	<u>Program</u>	<u>Incentive Status</u>	<u>FY 2019 Amount Rebated</u>	<u>Date of KEDFA Action/City Approval</u>
Comprehensive Medical Management, LLC	JDIP	Active	\$ -	6/10/2019
David J Joseph Company	JDIP	Active	27,989	8/17/2015
Defenders, Inc., aka Defender Security Co.	KBI	Final Approval	14,902	8/30/2012
Divisions, Inc.	KBI/JDIP	Final Approval	106,018	8/28/2014
Ethos Holding Corp.	KBI	Final Approval	-	12/10/2015
Harlow-HRK	JDIP	Active	64,280	9/10/2012
Healthpoint Family Care, Inc.	JDIP	Active	-	6/10/2019
New Riff Distilling, LLC	KEIA	Final Approval	-	6/30/2016
New Riff Distilling, LLC	KBI	Final Approval	-	4/27/2017
Nexigen	KDI/JDIP	Active	28,653	1/28/2013
Nimblesoft	JDIP	Active	3,524	10/20/2014
P. L. Marketing	KBI/JDIP	Final Approval	164,936	9/26/2013
Studio Vertu	JDIP	Active	4,610	10/20/2014
Tracker Products, LLC	JDIP	Active	-	4/13/2018
Western and Southern Life	JDIP	Active	-	8/17/2015
Total			<u>\$ 414,912</u>	

**Property Assessment Moratorium**

The City of Newport offers a Property Tax Assessment Moratorium for properties that meet certain eligibility standards. This program allows property owners to defer the value of building improvements from taxable assessment for a maximum period of five (5) years. Any structure that is 25 years or older that has a primary use of commercial business or is an existing residential unit may apply. This moratorium applies to ONLY City property tax. State Statutes dealing with assessment or reassessment moratorium include KRS Chapter 99, KRS 132.010, and KRS 132.190. The City's program is enabled through City Ordinance Section 37.020.

Once the application is approved by the City, it is sent to the property valuation administrator who will make an appraisal of subject property at its fair cash value as of the date of application. The applicant shall have two years in which to complete the improvements unless granted an extension by the administering agency. In no case shall it be extended beyond two additional years. Any application for a moratorium not acted upon shall be void two (2) years from the date of application and shall be removed from the files.



**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

Taxes abated under this program during the year ended June 30, 2019, were as follows:

<u>Address</u>	<u>Approval Order</u>	<u>FY 2019 Assessment</u>	<u>Amount Abated @</u>
		<u>Value Deferred</u>	<u>\$2.90/\$1,000</u>
624 Park Ave	R-2013-076	\$ 78,000	\$ 226
718 Monroe St	R-2013-077	\$ 197,500	\$ 573
568 E 4th St	R-2013-078	\$ 104,000	\$ 302
111 E 10th St	R-2013-079	\$ 50,000	\$ 145
561 E 4th St	R-2014-006	\$ 79,000	\$ 229
730 Park Ave	R-2015-016	\$ 273,000	\$ 792
732 Park Ave	R-2015-015	\$ 315,400	\$ 915
728 Park Ave	R-2015-064	\$ 212,000	\$ 615
629 York St	R-2017-028	\$ 220,400	\$ 639
819 Overton St	R-2017-029	\$ 145,100	\$ 421
823 Overton St	R-2017-030	\$ 216,000	\$ 626
404 Overton St	R-2017-064	\$ 121,000	\$ 351
406 Overton St	R-2017-065	\$ 129,950	\$ 377
1115 Isabella St	R-2017-010	\$ 16,450	\$ 48
806 Monroe St	R-2017-056	\$ 78,000	\$ 226
301 E 8th St	R-2017-055	\$ 55,400	\$ 161
530 W 9th St	R-2017-054	\$ 130,000	\$ 377
40 E 9th St	R-2017-052	\$ 116,000	\$ 336
842 Overton St	R-2018-065	\$ 301,000	\$ 873
734 Washington Ave.	R-2018-064	\$ 270,800	\$ 785

#### Industrial Revenue Bonds

Industrial Revenue Bonds (IRB) may be issued by state and local governments in Kentucky to help finance industrial buildings as defined by KRS 103.200. Bond funds may be used to finance the total project costs, including engineering, site preparation, land, buildings, machinery and equipment, and bond issuance costs.

Generally, the issuer serves as a conduit to provide a lower interest rate to the borrower, but the issuer is not obligated for debt repayment. Bondholders look to the “revenue” arising from the project to cover debt service. Bond proceeds from bond issues can be lent directly by the issuer.

KRS 103 also permits the issuer to hold title to the improvements financed with IRB proceeds. In this instance, the property owned by the issuer may be exempt from local property taxes during the duration of the bond issue. This property may also be eligible to be taxed at a reduced state rate of \$0.015 per \$100 of leasehold value, if such reduction receives the prior written approval by the Kentucky Economic Development Finance Authority (KEDFA) as required by KRS 103.210 and KRS 132.020. (See KEDFA operating procedures as it relates to this review process.) Any portions of such projects financed by private capital are subject to the full state and local property taxes applicable to private ownership.

Communities may negotiate for payments by industrial tenants to replace portions of local property taxes lost through public title to the property. These agreements are commonly referred to as Payment In Lieu of Tax (PILOT) agreements.

**CITY OF NEWPORT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

The City has approved the use of IRBs for and holds PILOT Agreements for the following projects that resulted in the following associated tax abatements:

<u>Project</u>	<u>FY 2019</u> <u>Abatement</u> <u>Amount</u>
South Shore	\$ 137,669
Vue 180	67,541
Aquarium	74,661
Newport Holdings (IB Goodman)	6,850
Target	11,020
Pavilion	219,435
Monmouth Row	29,000
Aqua on the Levee/Aloft	79,196
Aloft: Airlot A4 -Hotel	32,470
Newport on the Levee	259,184
Hofbrauhaus	4,168
TOTAL:	<u>\$ 921,194</u>

Tax Increment Financing District

The City has created the local City Center Tax Increment Financing District north of 5<sup>th</sup> Street, in the downtown area. No taxes were abated under this program in the year ended June 30, 2019.

Property Assessed Clean Energy Financing

The City has created an Energy Project Assessment District to facilitate Property Assessed Clean Energy Projects. KY-PACE is a new program available to commercial, industrial, and multi-family building owners across the Commonwealth. PACE (Property Assessed Clean Energy) provides access to low-cost, extended term capital to finance energy efficiency and water efficiency improvements. KY-PACE is the implementation of a state law commonly called EPAD, that was adopted in 2015 (KRS 65.205), and allows a property owner to finance energy and water saving improvements through a voluntary assessment on the property. No taxes were abated under this program in the year ended June 30, 2019.

## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF NEWPORT, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Budgetary fund balance, July 1</b>	\$ 5,735,118	\$ 6,069,134	\$ 6,069,136	\$ 2
<b>Resources (inflows):</b>				
Taxes:				
Property	2,358,470	2,311,360	2,330,472	19,112
Tangible	244,000	240,100	254,202	14,102
Bank deposit	75,000	79,830	79,838	8
Licenses and permits:				
Payroll license fees	8,755,000	8,852,400	9,240,032	387,632
Insurance license fees	3,260,000	3,350,000	3,523,253	173,253
Other	589,820	608,860	617,310	8,450
Intergovernmental	994,280	1,063,610	977,849	(85,761)
Fines and forfeitures	98,850	150,300	201,112	50,812
Charges for services	1,040,450	1,032,060	1,059,111	27,051
Uses of property	980,580	1,335,040	1,361,889	26,849
Interest	7,500	35,000	53,652	18,652
Miscellaneous	7,000	6,000	5,052	(948)
Refunds and reimbursements	2,800	13,840	24,846	11,006
Transfers in	45,000	47,000	46,969	(31)
<b>Amounts available for appropriation</b>	<u>24,193,868</u>	<u>25,194,534</u>	<u>25,844,723</u>	<u>650,189</u>
<b>Charges to appropriations (outflows):</b>				
<b>General Government:</b>				
<b>Office of City Manager:</b>				
Personnel	891,610	875,270	850,927	24,343
Contractual	526,600	516,010	497,098	18,912
Materials and supplies	5,500	5,500	2,528	2,972
Other-unclassified	51,240	122,560	112,680	9,880
<b>Total Office of City Manager</b>	<u>1,474,950</u>	<u>1,519,340</u>	<u>1,463,233</u>	<u>56,107</u>
<b>Finance and Administration:</b>				
Personnel	546,920	486,110	472,339	13,771
Contractual	156,400	183,030	146,955	36,075
Materials and supplies	7,300	6,100	4,921	1,179
Other-unclassified	50,500	48,330	42,278	6,052
<b>Total Finance and Administration</b>	<u>761,120</u>	<u>723,570</u>	<u>666,493</u>	<u>57,077</u>
<b>Total General Government</b>	<u>\$ 2,236,070</u>	<u>\$ 2,242,910</u>	<u>\$ 2,129,726</u>	<u>\$ 113,184</u>

**CITY OF NEWPORT, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>(Continued)</b>
<b>Police:</b>				
<b>Chief's Office:</b>				
Personnel	\$ 410,940	\$ 407,350	\$ 392,784	\$ 14,566
Contractual	121,760	157,460	143,362	14,098
Materials and supplies	62,000	39,660	8,147	31,513
Other-unclassified	9,280	10,290	3,504	6,786
<b>Total Chief's Office</b>	<b>603,980</b>	<b>614,760</b>	<b>547,797</b>	<b>66,963</b>
<b>Patrol:</b>				
Personnel	3,708,880	3,726,590	3,668,587	58,003
Contractual	84,640	112,000	97,214	14,786
Materials and supplies	118,380	158,600	148,123	10,477
Other-unclassified	15,000	244,550	229,655	14,895
<b>Total Patrol</b>	<b>3,926,900</b>	<b>4,241,740</b>	<b>4,143,579</b>	<b>98,161</b>
<b>Investigation:</b>				
Personnel	559,810	508,360	498,615	9,745
Contractual	11,070	13,570	4,601	8,969
Materials and supplies	16,000	18,000	12,581	5,419
Other-unclassified	5,820	10,320	8,680	1,640
<b>Total Investigation</b>	<b>592,700</b>	<b>550,250</b>	<b>524,477</b>	<b>25,773</b>
<b>Traffic:</b>				
Personnel	241,160	254,260	252,426	1,834
Contractual	14,700	37,730	27,243	10,487
Materials and supplies	16,500	18,750	11,552	7,198
Other-unclassified	-	24,000	12,084	11,916
<b>Total Traffic</b>	<b>272,360</b>	<b>334,740</b>	<b>303,305</b>	<b>31,435</b>
<b>Total Police</b>	<b>5,395,940</b>	<b>5,741,490</b>	<b>5,519,158</b>	<b>222,332</b>
<b>Fire/EMS</b>				
<b>Operations:</b>				
Personnel	4,302,950	4,532,220	4,543,700	(11,480)
Contractual	210,300	235,500	204,709	30,791
Materials and supplies	111,500	105,200	82,021	23,179
Other-unclassified	26,500	199,000	22,849	176,151
<b>Total Operations</b>	<b>4,651,250</b>	<b>5,071,920</b>	<b>4,853,279</b>	<b>218,641</b>
<b>South Newport:</b>				
Contractual	10,260	13,260	9,591	3,669
Materials and supplies	1,850	1,850	267	1,583
Other-unclassified	1,000	2,070	1,548	522
<b>Total South Newport:</b>	<b>13,110</b>	<b>17,180</b>	<b>11,406</b>	<b>5,774</b>
<b>Total Fire/EMS</b>	<b>\$ 4,664,360</b>	<b>\$ 5,089,100</b>	<b>\$ 4,864,685</b>	<b>\$ 224,415</b>

**CITY OF NEWPORT, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative) (Continued)</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	
<b>Development Services:</b>				
<b>Code Enforcement:</b>				
Personnel	\$ 384,040	\$ 407,630	\$ 394,052	\$ 13,578
Contractual	251,420	295,070	262,905	32,165
Materials and supplies	18,500	20,000	14,624	5,376
Other-unclassified	34,050	30,850	21,031	9,819
<b>Total Code Enforcement</b>	<u>688,010</u>	<u>753,550</u>	<u>692,612</u>	<u>60,938</u>
<b>Total Development Services</b>	<u>688,010</u>	<u>753,550</u>	<u>692,612</u>	<u>60,938</u>
<b>Community Services:</b>				
<b>Administration:</b>				
Personnel	186,690	200,770	198,839	1,931
Contractual	6,560	11,160	9,079	2,081
Materials and supplies	2,300	2,400	1,255	1,145
Other-unclassified	<u>700</u>	<u>700</u>	<u>539</u>	<u>161</u>
<b>Total Administration</b>	<u>196,250</u>	<u>215,030</u>	<u>209,712</u>	<u>5,318</u>
<b>Pool:</b>				
Personnel	50,920	61,120	57,014	4,106
Contractual	38,860	35,410	22,102	13,308
Materials and supplies	24,000	29,490	23,559	5,931
Other-unclassified	<u>7,720</u>	<u>5,680</u>	<u>2,446</u>	<u>3,234</u>
<b>Total Pool</b>	<u>121,500</u>	<u>131,700</u>	<u>105,121</u>	<u>26,579</u>
<b>Public Works:</b>				
Personnel	1,002,770	955,270	950,162	5,108
Contractual	446,260	475,900	422,366	53,534
Materials and supplies	250,050	281,000	228,017	52,983
Other-unclassified	<u>9,200</u>	<u>10,000</u>	<u>3,617</u>	<u>6,383</u>
<b>Total Public Works</b>	<u>1,708,280</u>	<u>1,722,170</u>	<u>1,604,162</u>	<u>118,008</u>
<b>Parks and Recreation:</b>				
Contractual	109,870	128,170	121,939	6,231
Materials and supplies	20,700	18,010	10,948	7,062
Other-unclassified	<u>17,000</u>	<u>9,000</u>	<u>2,763</u>	<u>6,237</u>
<b>Total Parks and Recreation</b>	<u>147,570</u>	<u>155,180</u>	<u>135,650</u>	<u>19,530</u>
<b>Total Community Services</b>	<u>\$ 2,173,600</u>	<u>\$ 2,224,080</u>	<u>\$ 2,054,645</u>	<u>\$ 169,435</u>

**CITY OF NEWPORT, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
				<b>(Continued)</b>
<b>Municipal Complex:</b>				
Contractual	\$ 203,600	\$ 195,120	\$ 176,307	\$ 18,813
Materials and supplies	12,500	13,000	7,813	5,187
Other-unclassified	14,210	11,540	9,436	2,104
<b>Total Municipal Complex</b>	<u>230,310</u>	<u>219,660</u>	<u>193,556</u>	<u>26,104</u>
<b>Capital Outlay:</b>				
General government	25,000	17,000	10,124	6,876
Police	550,000	310,000	222,848	87,152
Fire/EMS	557,550	403,480	375,947	27,533
Development Services	75,000	75,000	-	75,000
Community services	230,000	305,500	87,577	217,923
Municipal complex	7,450	18,000	14,993	3,007
<b>Total Capital Outlay</b>	<u>1,445,000</u>	<u>1,128,980</u>	<u>711,489</u>	<u>417,491</u>
<b>Debt Service:</b>				
Principal	1,758,290	1,696,550	1,696,544	6
Interest	617,430	587,430	587,406	24
<b>Total Debt Service</b>	<u>2,375,720</u>	<u>2,283,980</u>	<u>2,283,950</u>	<u>30</u>
<b>Transfers out</b>	<u>1,606,270</u>	<u>2,164,260</u>	<u>2,129,786</u>	<u>34,474</u>
<b>Total charges to appropriations</b>	<u>20,815,280</u>	<u>21,848,010</u>	<u>20,579,607</u>	<u>1,268,403</u>
<b>Other financing sources (uses):</b>				
Other financing use - cost of debt issuance	(3,500)	(6,060)	(6,057)	3
Other financing source - bond proceeds	1,500,000	1,500,000	1,500,000	-
<b>Budgetary fund balance, June 30</b>	<u>\$ 4,875,088</u>	<u>\$ 4,840,464</u>	<u>\$ 6,759,059</u>	<u>\$ 1,918,595</u>

**CITY OF NEWPORT, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**COMMUNITY DEVELOPMENT FUND**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Budgetary fund balances, July 1</b>	\$ 82,986	\$ 100,827	\$ 100,825	\$ (2)
<b>Resources (inflows):</b>				
Intergovernmental	629,150	160,000	93,196	(66,804)
Uses of property	53,880	233,160	233,160	-
Interest	160	400	675	275
Miscellaneous	5,000	3,000	5,037	2,037
Transfers in	35,000	50,120	120	(50,000)
<b>Amounts available for appropriation</b>	<u>806,176</u>	<u>547,507</u>	<u>433,013</u>	<u>(114,494)</u>
<b>Charges to appropriations (outflows):</b>				
Hamlet Row	629,150	160,000	93,196	66,804
Southbank	45,000	42,620	42,620	-
Tree Fund	5,000	5,000	5,037	(37)
Façade Improvement	127,020	16,230	8,731	7,499
<b>Total charges to appropriation</b>	<u>806,170</u>	<u>223,850</u>	<u>149,584</u>	<u>74,266</u>
<b>Budgetary fund balances, June 30</b>	<u>\$ 6</u>	<u>\$ 323,657</u>	<u>\$ 283,429</u>	<u>\$ (40,228)</u>



**CITY OF NEWPORT, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**CAPITAL PROJECTS FUND**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Budgetary fund balances, July 1</b>	\$ 64,592	\$ 299,225	\$ 299,225	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	2,276,690	85,700	79,005	(6,695)
Refunds and reimbursements	-	-	23,450	23,450
Interest	-	1,300	7,767	6,467
Transfers in	1,176,270	1,614,260	1,629,666	15,406
<b>Amounts available for appropriation</b>	<u>3,517,552</u>	<u>2,000,485</u>	<u>2,039,113</u>	<u>38,628</u>
<b>Charges to appropriations (outflows):</b>				
Community services	-	-	141,463	(141,463)
Capital project expenditures:				
Street improvement program	2,030,690	659,120	545,925	113,195
Public service facility	250,000	334,360	93,656	240,704
Parks improvement program	1,170,990	130,780	103,100	27,680
Floodwall repairs and upgrades	-	66,260	13,634	52,626
Transfers to other funds	-	-	-	-
<b>Total charges to appropriation</b>	<u>3,451,680</u>	<u>1,190,520</u>	<u>897,778</u>	<u>292,742</u>
<b>Budgetary fund balances, June 30</b>	<u>\$ 65,872</u>	<u>\$ 809,965</u>	<u>\$ 1,141,335</u>	<u>\$ 331,370</u>

**CITY OF NEWPORT, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**TIF FUND**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Budgetary fund balances, July 1</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (inflows):</b>				
Property tax	-	31,640	31,646	6
Interest	-	-	37	37
<b>Amounts available for appropriation</b>	-	31,640	31,683	43
<b>Charges to appropriations (outflows):</b>				
Other expenses	-	-	168	(168)
<b>Total charges to appropriation</b>	-	-	168	(168)
<b>Budgetary fund balances, June 30</b>	\$ -	\$ 31,640	\$ 31,515	\$ (125)

**CITY OF NEWPORT, KENTUCKY**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**EMPLOYEES' RETIREMENT FUND**  
**LAST SIX FISCAL YEARS**

	2014	2015	2016	2017	2018	2019
<b>Total pension liability</b>						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	96,307	94,516	81,914	40,195	53,487	51,105
Changes of benefit terms	73,370	44,114	-	-	61,745	23,933
Difference between expected and actual experience	(280,842)	(189,829)	(63,950)	(19,651)	(31,853)	(231,348)
Change in assumptions	310,707	195,572	261,386	(185,356)	(28,727)	32,430
Benefit payments	<u>(243,758)</u>	<u>(226,777)</u>	<u>(201,430)</u>	<u>(186,744)</u>	<u>(184,420)</u>	<u>(155,218)</u>
Net change in total pension liability	(44,216)	(82,404)	77,920	(351,556)	(129,768)	(279,098)
Total pension liability - beginning	<u>2,046,539</u>	<u>2,002,323</u>	<u>1,919,919</u>	<u>1,997,839</u>	<u>1,646,283</u>	<u>1,516,515</u>
Total pension liability - ending	2,002,323	1,919,919	1,997,839	1,646,283	1,516,515	1,237,417
<b>Plan fiduciary net position</b>						
Contributions:						
Employer	-	-	-	-	-	-
Employee	-	-	-	-	-	-
Net investment income	116,640	(18,699)	(28,637)	38,157	32,108	9,079
Benefit payments	(243,758)	(226,777)	(201,430)	(186,744)	(184,420)	(155,218)
Administrative expense	-	-	-	-	(3,600)	(7,200)
Refunds of contributions	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(127,118)	(245,476)	(230,067)	(148,587)	(155,912)	(153,339)
Plan fiduciary net position - beginning	<u>1,280,319</u>	<u>1,153,201</u>	<u>907,725</u>	<u>677,658</u>	<u>529,071</u>	<u>373,159</u>
Plan fiduciary net position - ending	<u>1,153,201</u>	<u>907,725</u>	<u>677,658</u>	<u>529,071</u>	<u>373,159</u>	<u>219,820</u>
Net pension liability - ending	<u>\$ 849,122</u>	<u>\$ 1,012,194</u>	<u>\$ 1,320,181</u>	<u>\$ 1,117,212</u>	<u>\$ 1,143,356</u>	<u>\$ 1,017,597</u>
Plan fiduciary net position as a % of total pension liability	57.59%	47.28%	33.92%	32.14%	24.61%	17.76%
Covered employee payroll	-	-	-	-	-	-
Net pension liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

**CITY OF NEWPORT, KENTUCKY**  
**SCHEDULE OF CONTRIBUTIONS**  
**EMPLOYEES' RETIREMENT FUND**  
**LAST SIX FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 51,289	\$ 51,289	\$ 71,552	\$ 71,552	\$ 86,342
Contributions in relation to actuarially determined contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ 51,289</u>	<u>\$ 51,289</u>	<u>\$ 71,552</u>	<u>\$ 71,552</u>	<u>\$ 86,342</u>
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A
	<u>2014</u>				
Actuarially determined contribution	\$ 58,344				
Contributions in relation to actuarially determined contribution	<u>-</u>				
Contribution deficiency (excess)	<u>\$ 58,344</u>				
Covered-employee payroll	\$ -				
Contributions as a percentage of covered-employee payroll	N/A				

**Notes**

Note 1: Valuation Date: Actuarially determined contribution rates are calculated as of July 1st following the fiscal year end in which the contributions are reported.

Note 2: Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level, closed
Remaining amortization period	20 years
Asset valuation method	Market value
Cost of Living increase	0.00%
Salary increases	N/A
Investment rate of return	4.50%
Retirement age	65 years old
Mortality	In the 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2018 Mortality Tables.

**CITY OF NEWPORT, KENTUCKY**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**POLICEMEN AND FIREFIGHTERS' RETIREMENT FUND**  
**LAST SIX FISCAL YEARS**

	2014	2015	2016	2017	2018	2019
<b>Total pension liability</b>						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	205,401	193,347	167,421	91,182	106,638	96,279
Changes of benefit terms	62,846	56,156	-	-	91,129	44,613
Difference between expected and actual experience	(106,169)	(24,766)	17,761	15,759	(109,757)	(8,450)
Change in assumptions	55,493	432,511	477,015	(222,269)	(27,342)	84,863
Benefit payments	<u>(392,370)</u>	<u>(365,887)</u>	<u>(364,585)</u>	<u>(353,910)</u>	<u>(323,796)</u>	<u>(303,070)</u>
Net change in total pension liability	(174,799)	291,361	297,612	(469,238)	(263,128)	(85,765)
Total pension liability - beginning	<u>2,949,722</u>	<u>2,774,923</u>	<u>3,066,284</u>	<u>3,363,896</u>	<u>2,894,658</u>	<u>2,631,530</u>
Total pension liability - ending	2,774,923	3,066,284	3,363,896	2,894,658	2,631,530	2,545,765
<b>Plan fiduciary net position</b>						
Contributions:						
Employer	-	-	-	-	-	-
Employee	-	-	-	-	-	-
Net investment income	286,710	(70,036)	(35,616)	150,409	104,280	41,428
Benefit payments	(392,370)	(365,887)	(364,585)	(353,910)	(323,796)	(303,070)
Administrative expense	-	-	-	-	(3,600)	(7,200)
Refunds of contributions	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(105,660)	(435,923)	(400,201)	(203,501)	(223,116)	(268,842)
Plan fiduciary net position - beginning	<u>2,855,930</u>	<u>2,750,270</u>	<u>2,314,347</u>	<u>1,914,146</u>	<u>1,710,645</u>	<u>1,487,529</u>
Plan fiduciary net position - ending	<u>2,750,270</u>	<u>2,314,347</u>	<u>1,914,146</u>	<u>1,710,645</u>	<u>1,487,529</u>	<u>1,218,687</u>
Net pension liability - ending	<u>\$ 24,653</u>	<u>\$ 751,937</u>	<u>\$ 1,449,750</u>	<u>\$ 1,184,013</u>	<u>\$ 1,144,001</u>	<u>\$ 1,327,078</u>
Plan fiduciary net position as a % of total pension liability	99.11%	75.48%	56.90%	59.10%	56.53%	47.87%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

**CITY OF NEWPORT, KENTUCKY**  
**SCHEDULE OF CONTRIBUTIONS**  
**POLICEMEN AND FIREFIGHTERS' RETIREMENT FUND**  
**LAST SIX FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 1,528	\$ 1,528	\$ 70,409	\$ 70,409	\$ 77,709
Contributions in relation to actuarially determined contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ 1,528</u>	<u>\$ 1,528</u>	<u>\$ 70,409</u>	<u>\$ 70,409</u>	<u>\$ 77,709</u>
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of employee payroll	N/A	N/A	N/A	N/A	N/A
	<u>2014</u>				
Actuarially determined contribution	\$ 1,691				
Contributions in relation to actuarially determined contribution	<u>-</u>				
Contribution deficiency (excess)	<u>\$ 1,691</u>				
Covered-employee payroll	\$ -				
Contributions as a percentage of employee payroll	N/A				

Notes:

Note 1: Valuation Date: Actuarially determined contribution rates are calculated as of July 1st following the fiscal year end in which the contributions are reported.

Note 2: Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level, closed
Remaining amortization period	20 years
Asset valuation method	Market value
Cost of Living increase	0.00%
Salary increases	N/A
Investment rate of return	4.50%
Retirement age	65 years old
Mortality	In the 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2018 Mortality Tables.

**CITY OF NEWPORT, KENTUCKY**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**COUNTY EMPLOYEES' RETIREMENT SYSTEM - NON-HAZARDOUS**  
**LAST FIVE FISCAL YEARS**

	2015	2016	2017	2018	2019
City's proportion of the net pension liability	0.075%	0.078%	0.0799%	0.0874%	0.0864%
City's proportionate share of the net pension liability (asset)	\$ 2,422,504	\$ 3,363,394	\$ 3,933,909	\$ 5,114,269	\$ 5,261,110
City's covered employee payroll	\$ 1,712,734	\$ 1,803,394	\$ 1,904,886	\$ 2,113,469	\$ 2,137,147
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	141.44%	186.50%	206.52%	241.98%	246.17%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the City's corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF NEWPORT, KENTUCKY**  
**SCHEDULE OF CONTRIBUTIONS**  
**COUNTY EMPLOYEES' RETIREMENT SYSTEM - NON-HAZARDOUS**  
**LAST SIX FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 229,933	\$ 237,299	\$ 296,868	\$ 312,505	\$ 356,209
Contributions in relation to actuarially determined contribution	<u>229,933</u>	<u>237,299</u>	<u>296,868</u>	<u>312,505</u>	<u>356,209</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,803,394	\$ 1,904,886	\$ 2,113,469	\$ 2,137,147	\$ 2,196,114
Contributions as a percentage of covered-employee payroll	12.75%	12.46%	14.05%	14.62%	16.22%
	<u>2014</u>				
Actuarially determined contribution	\$ 235,329				
Contributions in relation to actuarially determined contribution	<u>235,329</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 1,712,734				
Contributions as a percentage of covered-employee payroll	13.74%				

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net pension liability.

The above schedule will present 10 years of historical data, once available.



**CITY OF NEWPORT, KENTUCKY**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS**  
**LAST FIVE FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportion of the net pension liability	0.934%	0.944%	0.9487%	0.9690%	1.0160%
City's proportionate share of the net pension liability (asset)	\$ 11,230,216	\$ 14,493,582	\$ 16,279,790	\$ 21,679,786	\$ 24,570,432
City's covered employee payroll	\$ 4,775,916	\$ 4,817,366	\$ 4,929,315	\$ 5,316,819	\$ 5,654,339
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	235.14%	300.86%	330.26%	407.76%	434.54%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.52%	53.95%	49.78%	49.26%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the City's corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF NEWPORT, KENTUCKY**  
**SCHEDULE OF CONTRIBUTIONS**  
**COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS**  
**LAST SIX FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 1,005,520	\$ 999,305	\$ 1,154,842	\$ 1,255,263	\$ 1,392,890
Contributions in relation to actuarially determined contribution	<u>1,005,520</u>	<u>999,305</u>	<u>1,154,842</u>	<u>1,255,263</u>	<u>1,392,890</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,817,366	\$ 4,929,315	\$ 5,316,819	\$ 5,654,339	\$ 5,600,682
Contributions as a percentage of covered-employee payroll	20.87%	20.27%	21.72%	22.20%	24.87%
	<u>2014</u>				
Actuarially determined contribution	\$ 1,041,523				
Contributions in relation to actuarially determined contribution	<u>1,041,523</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 4,775,916				
Contributions as a percentage of covered-employee payroll	21.81%				

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net pension liability.

The above schedule will present 10 years of historical data, once available.

**CITY OF NEWPORT, KENTUCKY**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**COUNTY EMPLOYEES' RETIREMENT SYSTEM - NON-HAZARDOUS**  
**LAST THREE FISCAL YEARS**

	<b>2017</b>	<b>2018</b>	<b>2019</b>
City's proportion of the net OPEB liability	0.0799%	0.0874%	0.0864%
City's proportionate share of the net OPEB liability (asset)	\$ 1,377,759	\$ 1,756,516	\$ 1,533,677
City's covered employee payroll	\$ 1,904,886	\$ 2,113,469	\$ 2,137,147
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	72.33%	83.11%	71.76%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF NEWPORT, KENTUCKY**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**COUNTY EMPLOYEES' RETIREMENT SYSTEM - NON-HAZARDOUS**  
**LAST SIX FISCAL YEARS**

	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 88,727	\$ 88,653	\$ 100,658	\$ 101,434	\$ 115,516
Contributions relative to contractually required employer contribution	<u>88,727</u>	<u>88,653</u>	<u>100,658</u>	<u>101,434</u>	<u>115,516</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,803,394	\$ 1,904,886	\$ 2,113,469	\$ 2,137,147	\$ 2,196,114
Employer contributions as a percentage of covered-employee payroll	4.92%	4.65%	4.76%	4.75%	5.26%
<b>2014</b>					
Contractually required employer contribution	\$ 88,206				
Contributions relative to contractually required employer contribution	<u>88,206</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered employee payroll	\$ 1,712,734				
Employer contributions as a percentage of covered-employee payroll	5.15%				

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net OPEB liability.

The above schedule will present 10 years of historical data, once available.

**CITY OF NEWPORT, KENTUCKY**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS**  
**LAST THREE FISCAL YEARS**

	<b>2017</b>	<b>2018</b>	<b>2019</b>
City's proportion of the net OPEB liability	0.9487%	0.9690%	1.0160%
City's proportionate share of the net OPEB liability (asset)	\$ 4,786,659	\$ 8,010,654	\$ 7,243,754
City's covered employee payroll	\$ 4,929,315	\$ 5,316,819	\$ 5,654,339
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	97.11%	150.67%	128.11%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	58.99%	64.24%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF NEWPORT, KENTUCKY**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS**  
**LAST SIX FISCAL YEARS**

	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 658,706	\$ 625,922	\$ 497,364	\$ 528,681	\$ 586,391
Contributions relative to contractually required employer contribution	<u>658,706</u>	<u>625,922</u>	<u>497,364</u>	<u>528,681</u>	<u>586,391</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 4,817,366	\$ 4,929,315	\$ 5,316,819	\$ 5,654,339	\$ 5,600,682
Employer contributions as a percentage of covered-employee payroll	13.67%	12.70%	9.35%	9.35%	10.47%
<b>2014</b>					
Contractually required employer contribution	\$ 666,441				
Contributions relative to contractually required employer contribution	<u>666,441</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered employee payroll	\$ 4,775,916				
Employer contributions as a percentage of covered-employee payroll	13.95%				

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net OPEB liability.

The above schedule will present 10 years of historical data, once available.

## SUPPLEMENTARY INFORMATION

**CITY OF NEWPORT, KENTUCKY**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2019**

	<b>Policemen and Firefighters' Retirement Fund</b>	<b>Employees' Retirement Fund</b>	<b>Total</b>
<b>Assets</b>			
Investments			
Cash balance in funds	\$ 147,347	\$ 30,727	\$ 178,074
Corporate bonds	127,953	19,980	147,933
Closed end funds	273,288	106,574	379,862
Mutual funds	147,933	31,409	179,342
Market backed securities	25,194	2,822	28,016
Preferred securities	20,800	-	20,800
Government securities	51,979	10,820	62,799
Corporate Stock	<u>422,287</u>	<u>17,139</u>	<u>439,426</u>
<b>Total Assets</b>	<u>1,216,781</u>	<u>219,471</u>	<u>1,436,252</u>
<b>Net Position</b>			
Held in trust for pension benefits	<u>1,216,781</u>	<u>219,471</u>	<u>1,436,252</u>
<b>Total Net Position</b>	<u>\$ 1,216,781</u>	<u>\$ 219,471</u>	<u>\$ 1,436,252</u>



**CITY OF NEWPORT, KENTUCKY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2019**

	<u>Policemen and Firefighters' Retirement Fund</u>	<u>Employees' Retirement Fund</u>	<u>Total</u>
<b>Additions</b>			
Employer contributions	\$ -	\$ -	\$ -
Investment earnings			
Interest and dividends	48,741	11,589	60,330
Net appreciation in the fair value of investments including realized gains and losses	<u>6,019</u>	<u>438</u>	<u>6,457</u>
Total investment earnings	<u>54,760</u>	<u>12,027</u>	<u>66,787</u>
<b>Total Additions</b>	<u>54,760</u>	<u>12,027</u>	<u>66,787</u>
<b>Deductions</b>			
Benefits	303,070	155,218	458,288
Administrative expense	<u>20,393</u>	<u>10,106</u>	<u>30,499</u>
<b>Total Deductions</b>	<u>323,463</u>	<u>165,324</u>	<u>488,787</u>
<b>Change in Net Position</b>	(268,703)	(153,297)	(422,000)
<b>Net Position-Beginning Of Year</b>	<u>1,485,484</u>	<u>372,768</u>	<u>1,858,252</u>
<b>Net Position-End Of Year</b>	<u>\$ 1,216,781</u>	<u>\$ 219,471</u>	<u>\$ 1,436,252</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the Commission  
City of Newport, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Newport, Kentucky's basic financial statements, and have issued our report thereon dated December 27, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Newport, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Newport, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Newport, Kentucky's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Newport, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, consisting of the letters 'RFH' in a stylized, cursive-like font.

RFH, PLLC  
Lexington, Kentucky  
December 27, 2019

## STATISTICAL SECTION NARRATIVE

The Statistical Section of the City of Newport's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding the information in the financial statements, notes and supplementary information as it pertains to the overall financial health of the City.

### **Section 1: Financial Trend Data:**

Pages 92 – 96

These tables contain trend information to help the reader understand how the City's financial status has changed in recent years.

### **Section 2: Revenue Capacity:**

Pages 97 – 101

These tables contain information to help the reader assess the City's most significant local sources of revenue.

### **Section 3: Debt Capacity:**

Pages 102 – 106

These tables include information to help the reader assess the affordability of the City's current outstanding debt and its ability to issue additional debt in the future.

### **Section 4: Demographic and Economic Information:**

Page 107

This table shows demographic and economic indicators to help the reader understand the local environment in which the City's financial activities take place.

### **Section 5: Operating Information:**

Pages 108 – 110

These tables contain service and infrastructure data to help the reader understand how the information contained in this report relates to the City's services and activities.

## STATISTICAL SECTION

**CITY OF NEWPORT, KENTUCKY**  
**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities</b>										
Net investment in capital assets	\$ (1,764,812)	\$ 171,645	\$ 2,033,413	\$ 4,268,083	\$ 7,779,586	\$ 10,492,966	\$ 11,317,581	\$ 12,675,293	\$ 12,989,261	\$ 14,242,797
Restricted	3,810,281	464,478	2,126,793	1,351,158	35,464	81,193	4,141,909	3,293,973	1,631,794	2,782,359
Unrestricted	381,435	966,916	821,010	673,121	(12,272,560)	(12,858,460)	(17,217,833)	(22,336,744)	(24,393,369)	(30,148,591)
<b>Total governmental activities net position</b>	<b>\$ 2,426,904</b>	<b>\$ 1,603,039</b>	<b>\$ 4,981,216</b>	<b>\$ 6,292,362</b>	<b>\$ (4,457,510)</b>	<b>\$ (2,284,301)</b>	<b>\$ (1,758,343)</b>	<b>\$ (6,367,478)</b>	<b>\$ (9,772,314)</b>	<b>\$ (13,123,435)</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ (1,782,001)	\$ 436,766	\$ 1,855,533	\$ 1,524,302	\$ 1,839,167	\$ 1,726,037	\$ 2,052,781	\$ 2,099,182	\$ 2,429,487	\$ 67,667
Restricted	5,916,071	5,675,216	6,183,375	8,056,299	4,865,770	4,517,219	4,283,578	4,390,759	4,272,209	-
Unrestricted	1,066,343	831,923	782,140	319,735	(48,063)	71,938	127,019	117,399	361,196	369,441
<b>Total business-type activities net position</b>	<b>\$ 5,200,413</b>	<b>\$ 6,943,905</b>	<b>\$ 8,821,048</b>	<b>\$ 9,900,336</b>	<b>\$ 6,656,874</b>	<b>\$ 6,315,194</b>	<b>\$ 6,463,378</b>	<b>\$ 6,607,340</b>	<b>\$ 7,062,892</b>	<b>\$ 437,108</b>
<b>Primary government</b>										
Net investment in capital assets	\$ (3,546,813)	\$ 608,411	\$ 3,888,946	\$ 5,792,385	\$ 9,618,753	\$ 12,219,003	\$ 13,370,362	\$ 14,774,475	\$ 15,418,748	\$ 14,310,464
Restricted	9,726,352	6,139,694	8,310,168	9,407,457	4,901,234	4,598,412	8,425,487	7,684,732	5,904,003	2,782,359
Unrestricted	1,447,778	1,798,839	1,603,150	992,856	(12,320,623)	(12,786,522)	(17,090,814)	(22,219,345)	(24,032,173)	(29,779,150)
<b>Total primary government net position</b>	<b>\$ 7,627,317</b>	<b>\$ 8,546,944</b>	<b>\$ 13,802,264</b>	<b>\$ 16,192,698</b>	<b>\$ 2,199,364</b>	<b>\$ 4,030,893</b>	<b>\$ 4,705,035</b>	<b>\$ 239,862</b>	<b>\$ (2,709,422)</b>	<b>\$ (12,686,327)</b>

**Note:** Net position for 2015 and 2014 is shown with a restatement due to the implementation of GASB 68. Net position for 2017 is shown with a restatement for GASB 75.

**CITY OF NEWPORT, KENTUCKY**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 1,868,549	\$ 1,778,054	\$ 1,499,391	\$ 1,747,163	\$ 1,811,096	\$ 1,829,592	\$ 2,961,163	\$ 3,856,204	\$ 2,614,472	\$ 2,440,244
Police	5,555,965	5,794,501	4,411,540	4,958,910	4,864,165	4,973,609	5,438,311	5,541,681	7,356,908	8,084,358
Fire/EMS	4,404,278	4,524,310	3,928,970	4,287,637	4,325,418	4,451,947	5,272,373	5,253,734	6,571,753	7,407,263
Development services	515,562	1,762,281	806,179	699,017	1,712,783	708,249	809,960	1,542,152	1,672,674	998,908
Community services	2,769,201	2,574,489	2,208,272	2,587,440	3,124,678	2,987,731	3,233,087	3,164,224	3,805,036	3,461,304
Municipal complex	311,207	313,053	348,160	346,430	307,821	347,091	310,673	290,707	276,632	314,084
Interest on long-term debt	1,194,156	1,195,131	1,131,534	1,059,359	974,019	794,518	760,692	614,309	602,544	579,698
<b>Total governmental activities expenses</b>	<b>16,618,918</b>	<b>17,941,819</b>	<b>14,334,046</b>	<b>15,685,956</b>	<b>17,119,980</b>	<b>16,092,737</b>	<b>18,786,259</b>	<b>20,263,011</b>	<b>22,900,019</b>	<b>23,285,859</b>
<b>Business-type activities:</b>										
Refuse	932,132	1,018,014	1,078,905	1,084,372	1,112,668	1,124,065	1,216,349	1,234,511	1,258,339	1,368,960
Newport on the Levee	6,067,222	6,117,063	5,779,336	5,996,105	8,514,839	5,511,513	5,320,849	5,116,313	4,952,761	728,808
<b>Total business-type activities expenses</b>	<b>6,999,354</b>	<b>7,135,077</b>	<b>6,858,241</b>	<b>7,080,477</b>	<b>9,627,507</b>	<b>6,635,578</b>	<b>6,537,198</b>	<b>6,350,824</b>	<b>6,211,100</b>	<b>2,097,768</b>
<b>Total primary government expenses</b>	<b>\$23,618,272</b>	<b>\$25,076,896</b>	<b>\$21,192,287</b>	<b>\$22,766,433</b>	<b>\$26,747,487</b>	<b>\$22,728,315</b>	<b>\$25,323,457</b>	<b>\$26,613,835</b>	<b>\$29,111,119</b>	<b>\$25,383,627</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 329,815	\$ 213,501	\$ 391,529	\$ 261,166	\$ 231,970	\$ 236,143	\$ 239,634	\$ 248,633	\$ 273,146	\$ 283,185
Police	736,728	292,558	806,560	338,300	242,472	279,813	342,751	297,510	391,197	340,209
Fire/EMS	767,974	499,237	934,907	457,831	477,499	534,085	496,695	475,917	409,710	439,248
Development services	43,300	-	62,337	12,885	15,055	25,732	28,754	43,988	80,101	140,791
Community services	256,671	157,893	219,322	121,603	50,139	79,111	48,430	88,383	103,242	38,759
Municipal complex	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	529,478	657,100	673,362	1,158,359	1,098,265	1,141,755	968,693	897,990	1,021,208	960,467
Capital grants and contributions	541,336	2,159,270	1,896,717	1,813,415	4,176,657	586,025	1,028,185	1,486,750	570,609	223,444
<b>Total governmental activities program revenues</b>	<b>3,205,302</b>	<b>3,979,559</b>	<b>4,984,734</b>	<b>4,163,559</b>	<b>6,292,057</b>	<b>2,882,664</b>	<b>3,153,142</b>	<b>3,539,171</b>	<b>2,849,213</b>	<b>2,426,103</b>
<b>Business-type activities:</b>										
Charges for services:										
Refuse	1,054,874	1,103,387	1,149,023	1,211,843	1,234,637	1,287,365	1,350,209	1,384,000	1,326,446	1,392,280
Newport on the Levee	7,405,629	7,509,365	7,321,280	7,507,103	4,525,184	4,746,981	5,077,473	4,921,279	5,073,657	2,530,242
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>8,460,503</b>	<b>8,612,752</b>	<b>8,470,303</b>	<b>8,718,946</b>	<b>5,759,821</b>	<b>6,034,346</b>	<b>6,427,682</b>	<b>6,305,279</b>	<b>6,400,103</b>	<b>3,922,522</b>
<b>Total primary government program revenues</b>	<b>\$11,665,805</b>	<b>\$12,592,311</b>	<b>\$13,455,037</b>	<b>\$12,882,505</b>	<b>\$12,051,878</b>	<b>\$ 8,917,010</b>	<b>\$ 9,580,824</b>	<b>\$ 9,844,450</b>	<b>\$ 9,249,316</b>	<b>\$ 6,348,625</b>

# CITY OF NEWPORT, KENTUCKY

## CHANGES IN NET POSITION

Last Ten Fiscal Years

	(Continued)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (13,413,616)	\$ (13,962,260)	\$ (9,349,312)	\$ (11,522,397)	\$ (10,827,923)	\$ (13,210,073)	\$ (15,633,117)	\$ (16,723,840)	\$ (20,050,806)	\$ (20,859,756)
Business-type activities	1,461,149	1,477,675	1,612,062	1,638,469	(3,867,686)	(601,232)	(109,516)	(45,545)	189,003	1,824,754
<b>Total primary government net (expense)/revenue</b>	<b>\$ (11,952,467)</b>	<b>\$ (12,484,585)</b>	<b>\$ (7,737,250)</b>	<b>\$ (9,883,928)</b>	<b>\$ (14,695,609)</b>	<b>\$ (13,811,305)</b>	<b>\$ (15,742,633)</b>	<b>\$ (16,769,385)</b>	<b>\$ (19,861,803)</b>	<b>\$ (19,035,002)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Taxes										
Property taxes, levied for general purposes	\$ 1,615,235	\$ 1,721,021	\$ 1,980,029	\$ 1,953,820	\$ 3,727,354	\$ 2,590,894	\$ 2,038,779	\$ 2,133,032	\$ 2,252,282	\$ 2,315,224
Taxes, levied for bank deposits	46,019	58,323	49,251	50,839	61,721	61,426	64,964	67,447	67,447	79,838
Tangible	194,245	213,579	229,851	254,259	252,477	272,173	280,160	222,681	222,681	254,202
Payroll	4,939,656	5,055,781	4,960,332	4,887,904	5,276,794	5,724,313	6,201,961	6,623,813	6,720,680	6,950,028
Gross receipts franchise	1,417,593	1,412,842	1,435,960	1,590,134	1,671,196	1,885,917	2,026,947	1,771,847	1,992,322	2,290,004
Insurance premiums	2,432,879	2,515,644	2,268,680	2,763,745	2,981,708	2,943,775	2,861,193	3,122,632	3,364,978	3,523,253
Other permits	507,129	539,701	580,911	621,522	631,232	760,895	579,216	650,769	611,517	617,310
Franchise fees	696,490	722,659	698,698	651,868	701,437	667,857	574,829	595,515	603,247	650,980
Other uses of property	547,917	845,530	490,683	445,329	517,532	483,249	1,413,721	2,368,475	428,606	681,811
Grants and contributions - non-program specific	16,168	67,939	38,192	15,645	-	-	-	-	-	-
Interest	2,515	1,633	2,216	2,124	2,559	3,937	4,191	8,560	25,313	62,727
Miscellaneous	39,339	25,124	12,470	13,814	13,385	3,785	35,757	85,596	52,644	54,486
Gain (loss) on sale of capital assets	-	-	-	-	(49,000)	-	(1,000)	15,853	259,582	(18,197)
Transfers	36,921	(41,381)	(19,784)	(17,585)	(16,788)	(14,939)	47,257	48,700	44,671	46,969
Transfers from (to) component unit	-	-	-	-	-	-	31,100	(45,000)	-	-
Prior period adjustment	-	-	-	(399,875)	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>12,492,106</b>	<b>13,138,395</b>	<b>12,727,489</b>	<b>12,833,543</b>	<b>15,771,607</b>	<b>15,383,282</b>	<b>16,159,075</b>	<b>17,669,920</b>	<b>16,645,970</b>	<b>17,508,635</b>
<b>Business-type activities:</b>										
Grants and contributions - non-program specific	-	-	-	-	-	-	-	-	-	-
Interest	317,831	304,436	305,297	303,561	304,395	304,613	304,957	308,288	311,220	142,345
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-	-	(2,311,069)
Transfer out to NOL developer	-	-	-	-	-	-	-	-	-	(6,234,845)
Transfers	(36,921)	(38,619)	(40,216)	(42,415)	(43,212)	(45,061)	(47,257)	(48,700)	(44,671)	(46,969)
Prior period adjustment	-	-	-	(820,327)	(514,117)	-	-	-	-	-
<b>Total business-type activities</b>	<b>280,910</b>	<b>265,817</b>	<b>265,081</b>	<b>(559,181)</b>	<b>(252,934)</b>	<b>259,552</b>	<b>257,700</b>	<b>259,588</b>	<b>266,549</b>	<b>(8,450,538)</b>
<b>Total primary government</b>	<b>\$ 12,773,016</b>	<b>\$ 13,404,212</b>	<b>\$ 12,992,570</b>	<b>\$ 12,274,362</b>	<b>\$ 15,518,673</b>	<b>\$ 15,642,834</b>	<b>\$ 16,416,775</b>	<b>\$ 17,929,508</b>	<b>\$ 16,912,519</b>	<b>\$ 9,058,097</b>
<b>Change in net position</b>										
Governmental activities	\$ (921,510)	\$ (823,865)	\$ 3,378,177	\$ 1,311,146	\$ 4,943,684	\$ 2,173,209	\$ 525,958	\$ 946,080	\$ (3,404,836)	\$ (3,351,121)
Business-type activities	1,742,059	1,743,492	1,877,143	1,079,288	(4,120,620)	(341,680)	148,184	214,043	455,552	(6,625,784)
<b>Total change in net position</b>	<b>\$ 820,549</b>	<b>\$ 919,627</b>	<b>\$ 5,255,320</b>	<b>\$ 2,390,434</b>	<b>\$ 823,064</b>	<b>\$ 1,831,529</b>	<b>\$ 674,142</b>	<b>\$ 1,160,123</b>	<b>\$ (2,949,284)</b>	<b>\$ (9,976,905)</b>

**Note:** The city began to report accrual information when it implemented GASB 34 in fiscal year 2002.



**CITY OF NEWPORT, KENTUCKY**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General fund</b>										
Restricted, Committed, etc.	\$ (1,856)	\$ 233,037	\$ 102,597	\$ 99,797	\$ 40,473	\$ 94,714	\$ 4,141,946	\$ 3,294,679	\$ 1,644,065	\$ 1,630,154
Unassigned	(695,953)	(546,959)	(51,588)	178,062	2,293,558	1,944,398	3,537,244	3,915,570	4,425,071	5,128,905
<b>Total general fund</b>	<b>\$ (697,809)</b>	<b>\$ (313,922)</b>	<b>\$ 51,009</b>	<b>\$ 277,859</b>	<b>\$ 2,334,031</b>	<b>\$ 2,039,112</b>	<b>\$ 7,679,190</b>	<b>\$ 7,210,249</b>	<b>\$ 6,069,136</b>	<b>\$ 6,759,059</b>
<b>All other governmental funds</b>										
Restricted, Committed, etc.	\$ 501,062	\$ 920,584	\$ 599,416	\$ 487,967	\$ 428,478	\$ 462,520	\$ 602,171	\$ 690,425	\$ 400,050	\$ 1,456,279
Unassigned, reported in:										
Revolving loan fund	-	-	-	(29,399)	-	-	-	-	-	-
Special revenue fund	342,182	-	-	-	-	-	-	-	-	-
Capital projects fund	85	-	-	-	-	(3,731)	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 843,329</b>	<b>\$ 920,584</b>	<b>\$ 599,416</b>	<b>\$ 458,568</b>	<b>\$ 428,478</b>	<b>\$ 458,789</b>	<b>\$ 602,171</b>	<b>\$ 690,425</b>	<b>\$ 400,050</b>	<b>\$ 1,456,279</b>

**CITY OF NEWPORT, KENTUCKY**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes	\$ 1,855,499	\$ 1,992,923	\$ 2,259,131	\$ 2,258,918	\$ 4,019,952	\$ 2,911,967	\$ 2,402,093	\$ 2,428,217	\$ 2,551,860	\$ 2,696,158
Licenses and permits	9,297,983	9,523,968	9,245,882	9,863,305	10,560,930	11,314,900	11,669,317	12,169,061	12,672,345	13,380,595
Intergovernmental	989,821	2,770,299	1,759,750	2,408,022	4,885,470	1,719,409	1,990,064	2,379,536	1,527,036	1,150,050
Fines and forfeitures	144,105	160,459	177,586	159,381	102,172	114,879	100,013	90,053	217,512	201,112
Charges for services	906,455	1,002,730	1,039,922	995,904	983,802	1,029,657	1,091,226	1,044,991	1,002,239	1,059,111
Uses of property	1,260,958	1,568,188	1,166,992	1,712,093	1,328,814	1,204,981	2,042,425	3,027,944	1,345,308	1,595,049
Interest	2,228	1,357	1,980	1,907	2,382	3,839	4,035	8,450	25,147	62,131
Miscellaneous	403,302	363,137	1,039,320	93,739	288,491	3,785	35,757	153,654	52,644	58,385
<b>Total revenues</b>	<b>14,860,351</b>	<b>17,383,061</b>	<b>16,690,563</b>	<b>17,493,269</b>	<b>22,172,013</b>	<b>18,303,417</b>	<b>19,334,930</b>	<b>21,301,906</b>	<b>19,394,091</b>	<b>20,202,591</b>
<b>Expenditures</b>										
General government	1,611,293	1,549,703	1,521,333	1,606,362	1,628,804	1,686,759	2,166,545	3,719,893	2,053,361	2,129,726
Police	4,803,983	4,413,309	4,495,014	4,699,789	4,600,633	4,620,901	4,499,178	4,919,023	5,284,024	5,519,158
Fire/EMS	3,777,219	3,827,032	4,006,267	4,002,085	4,012,694	4,089,724	4,372,694	4,516,539	4,567,830	4,864,685
Development services	443,266	1,758,876	775,560	651,684	1,632,634	652,217	716,881	1,428,255	1,560,933	842,364
Community services	1,714,048	1,373,411	1,435,138	1,695,088	2,228,436	2,029,004	2,104,366	2,149,250	2,518,623	2,196,108
Municipal complex	174,420	179,111	215,057	216,736	176,882	216,689	180,448	191,080	183,699	193,556
Capital outlay	326,675	919,631	1,475,024	1,775,298	3,169,052	2,378,130	1,999,322	1,967,606	1,765,292	1,467,804
Debt service										
Principal	1,704,423	1,653,815	1,561,530	1,614,116	1,661,771	1,662,655	1,642,417	1,703,425	1,662,966	1,696,544
Interest	1,202,585	1,205,650	1,142,095	1,070,524	918,237	806,257	760,875	658,032	632,524	587,406
Debt issuance cost	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>15,757,912</b>	<b>16,880,538</b>	<b>16,627,018</b>	<b>17,331,682</b>	<b>20,029,143</b>	<b>18,142,336</b>	<b>18,442,726</b>	<b>21,253,103</b>	<b>20,229,252</b>	<b>19,497,351</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(897,561)</b>	<b>502,523</b>	<b>63,545</b>	<b>161,587</b>	<b>2,142,870</b>	<b>161,081</b>	<b>892,204</b>	<b>48,803</b>	<b>(835,161)</b>	<b>705,240</b>
<b>Other financing sources (uses)</b>										
Proceeds from long-term debt, including premium	76,369	-	-	-	8,042,767	-	12,214,108	3,297,129	-	1,500,000
Refunding of long-term debt	-	-	-	-	(7,987,155)	-	(6,734,623)	(3,221,130)	-	-
Bond issue costs on refunded debt	-	-	-	-	(55,612)	-	(366,586)	(74,189)	(1,000)	(6,057)
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Discount on debt issued	-	-	-	-	-	-	-	-	-	-
Transfers in	446,129	220,231	163,659	809,425	1,047,607	642,609	745,832	1,771,588	2,005,923	1,676,755
Transfers out	(409,208)	(261,612)	(183,443)	(885,010)	(1,164,395)	(1,068,298)	(967,475)	(2,202,888)	(2,601,250)	(2,129,786)
<b>Total other financing sources (uses)</b>	<b>113,290</b>	<b>(41,381)</b>	<b>(19,784)</b>	<b>(75,585)</b>	<b>(116,788)</b>	<b>(425,689)</b>	<b>4,891,256</b>	<b>(429,490)</b>	<b>(596,327)</b>	<b>1,040,912</b>
<b>Special items</b>										
Pension contributions from bond issue	-	-	-	-	-	-	-	-	-	-
<b>Total special items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (784,271)</b>	<b>\$ 461,142</b>	<b>\$ 43,761</b>	<b>\$ 86,002</b>	<b>\$ 2,026,082</b>	<b>\$ (264,608)</b>	<b>\$ 5,783,460</b>	<b>\$ (380,687)</b>	<b>\$ (1,431,488)</b>	<b>\$ 1,746,152</b>
<b>Debt service as a percentage of non capital expenditures</b>	<b>18.84%</b>	<b>17.92%</b>	<b>17.84%</b>	<b>17.26%</b>	<b>15.30%</b>	<b>15.66%</b>	<b>14.62%</b>	<b>12.24%</b>	<b>12.43%</b>	<b>12.67%</b>

**City of Newport, Kentucky**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Real Property</b>			<b>Personal Property</b>		<b>Less:</b>	<b>Total Taxable</b>	<b>Total</b>	<b>Estimated</b>	<b>Assessed</b>
<b>Ended June 30</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Public Service</b>	<b>Personal Property</b>	<b>Public Service</b>	<b>Tax Exempt Real Property</b>	<b>Assessed Value</b>	<b>Direct Tax Rate</b>	<b>Actual Taxable Value</b>	<b>Value as a Percentage of Actual Value</b>
2010	494,347,123	622,782,299	11,761,300	50,828,905	14,466,985	430,936,055	763,250,557	2.25	1,194,186,612	63.91%
2011	490,644,819	601,321,953	13,649,405	55,475,343	15,095,951	412,209,452	763,978,019	2.39	1,176,187,471	64.95%
2012	484,611,603	602,987,017	14,079,362	59,036,972	15,374,007	414,985,234	761,103,727	2.52	1,176,088,961	64.71%
2013	468,149,876	617,232,472	15,360,965	58,715,730	16,518,663	431,805,365	744,172,341	2.58	1,175,977,706	63.28%
2014	463,665,282	611,205,897	16,567,680	57,345,597	18,064,234	435,075,846	731,772,844	2.64	1,166,848,690	62.71%
2015	462,715,480	677,179,540	17,001,308	64,344,787	17,945,030	501,477,996	737,708,149	2.75	1,239,186,145	59.53%
2016	464,915,199	701,736,079	17,616,304	68,076,836	19,639,293	507,099,108	764,884,603	2.74	1,271,983,711	60.13%
2017	470,805,842	717,031,027	17,648,717	70,757,341	21,430,390	544,886,076	752,787,241	2.81	1,297,673,317	58.01%
2018	475,979,474	760,134,911	16,811,557	72,162,113	22,217,820	524,704,765	822,601,110	2.87	1,347,305,875	61.06%
2019	488,730,716	769,096,551	17,787,475	72,671,941	21,906,213	578,993,986	791,198,910	2.90	1,370,192,896	57.74%

**CITY OF NEWPORT, KENTUCKY**  
**PROPERTY TAX RATES (1)**  
**DIRECT AND OVERLAPPING GOVERNMENTS (2)**  
**Last Ten Fiscal Years**

Fiscal Year	City of Newport	Overlapping Rates				Total Direct and Overlapping Rates
		Campbell County	State	Other	School District	
2010	2.250	1.240	1.220	1.158	8.610	14.478
2011	2.390	1.280	1.220	1.198	8.860	14.948
2012	2.520	1.360	1.220	1.238	9.270	15.608
2013	2.580	1.430	1.220	1.318	9.510	16.058
2014	2.640	1.500	1.220	1.308	9.770	16.438
2015	2.750	1.540	1.220	1.338	9.770	16.618
2016	2.740	1.620	1.220	1.348	9.750	16.678
2017	2.810	1.670	1.220	1.308	10.060	17.068
2018	2.870	1.710	1.220	1.318	10.860	17.978
2019	2.900	1.710	1.220	1.298	10.860	17.988

(1) Per \$1,000 assessed valuation

(2) Overlapping rates are those of the county government that apply to property owners living in the City of Newport.

**CITY OF NEWPORT**  
**PRINCIPAL PROPERTY TAXPAYERS**  
Current Year and Nine Years Ago

Taxpayer	2019			2010		
	Taxable Assessed	Percentage of Total Taxable Assessed		Taxable Assessed	Percentage of Total Taxable Assessed	
	Valuation	Rank	Valuation	Valuation	Rank	Valuation
Riverfront Place Ltd.	\$ 14,668,572	1	1.85%	\$ 16,400,000	1	2.15%
CPX Newport Commercial Devp LLC	10,387,200	2	1.31%	11,150,000	3	1.46%
NKY Hospitality LLC	8,100,000	3	1.02%	-		
Kroger Limited Partenership (Tang)	6,944,537	4	0.88%	-		
Riverchase Properties LLC	6,779,134	5	0.86%	6,869,834	5	0.90%
Newport Hotel Associates LLC	6,175,000	6	0.78%	5,040,000	7	0.66%
ACS II Newport Plaza KY LLC	5,653,300	7	0.71%	-		
New Riff Distilling LLC (Tang)	5,168,409	8	0.65%	-		
ACS II Newport Shopping Center	5,000,000	9	0.63%	-		
Gator Newport Partners LTD	4,843,325	10	0.61%	4,634,100	8	0.61%
Louis Trauth Dairy LLC (Real & Tang)	-			12,389,798	2	1.62%
American Diversified Devp. Inc.	-			7,014,871	4	0.92%
KY Properties Company	-			5,300,000	6	0.69%
Joslin Enterprises	-			3,800,000	9	0.50%
Newport on the Levee				3,678,000	10	0.48%
TOTAL	\$ 73,719,477		9.30%	\$ 76,276,603		9.99%

**CITY OF NEWPORT, KENTUCKY**  
**PRINCIPAL EMPLOYERS BY PAYROLL TAXES PAID**  
**Current Year and Nine Years Ago**

Taxpayer	2019		2010	
	Rank	Percentage of Total City Payroll Taxes	Rank	Percentage of Total City Payroll Taxes
Commonwealth of Kentucky	1	4.93%	2	5.24%
Newport Board of Education	2	4.68%	1	7.28%
Defender Direct	3	3.78%		
Kroger #423	4	3.71%	9	2.02%
P L Marketing Inc	5	3.68%		
City of Newport	6	3.11%	5	3.56%
Divisions	7	2.93%		
Campbell County Fiscal Court	8	2.47%	7	2.91%
Newport Aquarium LLC	9	2.24%	10	1.99%
Brighton Center Inc.	10	1.49%		
Trauth Dairy			3	5.06%
Xanodyne			4	3.92%
Brighton Center Inc.			6	2.92%
Humana			8	2.08%
		<u>33.02%</u>		<u>36.98%</u>

**CITY OF NEWPORT, KENTUCKY**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the</b>		<b>Collections in Subsequent years</b>	<b>Total Collections to Date</b>	
		<b>Fiscal year of the Levy</b>	<b>Percent</b>		<b>Amount</b>	<b>Percentage of</b>
		<b>Amount</b>	<b>of Levy</b>			<b>Levy</b>
2010	1,767,539	1,692,413	95.7%	46,585	1,738,999	98.4%
2011	1,874,485	1,777,769	94.8%	66,668	1,844,437	98.4%
2012	1,971,360	1,908,201	96.8%	76,526	1,984,727	100.7%
2013	1,944,338	1,862,730	95.8%	108,596	1,971,325	101.4%
2014	1,973,958	1,870,998	94.8%	76,343	1,947,341	98.7%
2015	2,042,622	1,957,349	95.8%	95,212	2,052,561	100.5%
2016	2,124,304	1,972,673	92.9%	100,704	2,073,377	97.6%
2017	2,114,952	2,030,191	96.0%	71,397	2,101,589	99.4%
2018	2,191,635	2,128,362	97.1%	85,696	2,214,058	101.0%
2019	2,296,066	2,234,024	97.3%	85,803	2,319,827	101.0%

**CITY OF NEWPORT, KENTUCKY**  
**LEGAL DEBT MARGIN INFORMATION**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	76.33	76.40	76.11	74.42	73.18	73.77	76.49	75.28	82.26	79.12
Total debt applicable to limit	(24.91)	(23.54)	(22.12)	(20.65)	(19.27)	(17.74)	(22.18)	(20.78)	(18.91)	(17.35)
Legal debt margin	101.24	99.94	98.23	95.06	92.45	91.51	98.67	96.06	101.17	96.47
Total debt applicable to the limit as a percentage of debt limit	-32.64%	-30.81%	-29.06%	-27.74%	-26.33%	-24.05%	-29.00%	-27.60%	-22.98%	-21.93%

**Legal Debt Margin Calculation for Fiscal Year**

Total taxable assessed value	\$	761,104	\$	744,172	\$	731,773	\$	737,708	\$	764,885	\$	752,787	\$	822,601	\$	791,199
Debt limit (10% of total taxable assessed value)	\$	76,110	\$	74,417	\$	73,177	\$	73,771	\$	76,489	\$	75,279	\$	82,260	\$	79,120
Less Debt applicable to limit:		(22,115)		(20,645)		(19,268)		(17,743)		(22,184)		(20,780)		(18,906)		(18,849)
Legal debt margin	\$	53,995	\$	53,772	\$	53,909	\$	56,028	\$	54,305	\$	54,499	\$	63,354	\$	60,271

Note: Under KRS 66.041, the City of Newport's outstanding general obligation debt should not exceed 10 percent of total taxable assessed value.



**CITY OF NEWPORT, KENTUCKY**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage to Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable			
2010	24,910,000	2,066,621	207,471	36,050,000	-	63,234,092	<b>4.43%</b>	3,709
2011	23,535,000	1,941,892	53,385	32,740,000	-	58,270,277	<b>4.39%</b>	3,764
2012	22,115,000	1,815,410	38,337	29,260,000	-	53,228,747	<b>4.15%</b>	3,460
2013	20,645,000	1,687,152	22,479	28,015,000	-	50,369,631	<b>4.20%</b>	3,283
2014	19,267,767	1,557,091	5,768	26,660,000	-	47,490,626	<b>3.88%</b>	3,092
2015	17,742,767	1,425,204	-	25,195,000	-	44,362,971	<b>3.57%</b>	2,893
2016	22,184,169	1,291,463	-	23,605,000	-	47,080,632	<b>3.96%</b>	2,762
2017	20,779,722	1,155,844	-	21,885,000	-	43,820,566	<b>4.14%</b>	2,875
2018	18,905,845	1,018,319	-	20,020,000	-	39,944,164	<b>3.97%</b>	2,657
2019	18,848,758	878,862	-	-	-	19,727,620	<b>3.89%</b>	1,296

**CITY OF NEWPORT, KENTUCKY**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Fiscal Years**

**Governmental Activities**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>
2010	24,910,000	2.09%	1,461
2011	23,535,000	2.00%	1,520
2012	22,115,000	1.88%	1,437
2013	20,645,000	1.76%	1,346
2014	19,267,767	1.65%	1,255
2015	17,742,767	1.43%	1,157
2016	22,184,169	1.74%	1,301
2017	20,779,722	1.60%	1,363
2018	18,905,845	1.40%	1,258
2019	18,848,758	1.38%	1,239

**CITY OF NEWPORT, KENTUCKY**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**June 30, 2019**

<b>Governmental Unit</b>		<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable (3)</b>	<b>Estimated Share of Overlapping Debt</b>
Debt repaid with property taxes: School	(1) \$	15,229,199	100.00%	\$ 15,229,035
Debt repaid with property taxes: County	(2) \$	18,005,000	12.83%	2,310,891
Subtotal overlapping debt				<u>17,539,926</u>
City of Newport direct debt				<u>18,848,758</u>
Total direct and overlapping				<u><u>\$ 36,388,684</u></u>

Source: (1) Newport Board of Education

(2) Campbell County Fiscal Court

(3) The percentage overlapping debt applicable is estimated using taxable assessed property values.

Applicable percentages were estimated by determining the portion of the taxable assessed value that is within the City of Newport and dividing it by the county's/school's total taxable assessed value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Newport. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**CITY OF NEWPORT, KENTUCKY**  
**PLEDGED REVENUE COVERAGE**  
**Last Ten Fiscal Years**

Newport on the Levee						
Revenue Bonds						
Fiscal Year	Gross Revenues <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2010	7,723,152	1,253,834	6,469,318	3,105,000	3,181,541	1.03
2011	7,509,365	1,593,848	5,915,517	3,310,000	2,891,367	0.95
2012	7,321,280	1,546,521	5,774,759	2,995,000	2,600,966	1.03
2013	7,810,664	1,996,457	5,814,207	1,245,000	2,423,415	1.58
2014	4,829,081	1,686,164	3,142,917	1,355,000	2,314,541	0.86
2015	5,050,844	1,736,930	3,313,914	1,465,000	2,196,453	0.91
2016	5,381,766	1,769,150	3,612,615	1,590,000	2,068,525	0.99
2017	5,228,813	1,563,546	3,665,267	1,720,000	1,929,919	1.00
2018	5,383,704	1,501,088	3,882,617	1,865,000	1,779,797	1.07
2019 <sup>(3)</sup>	2,667,308	728,808	1,938,500	-	-	-

(1) Total Revenues (including interest)

(2) Total operating expenses exclusive of depreciation

(3) The debt associated with Newport on the Levee was surrendered by the City in fiscal year 2019

**CITY OF NEWPORT, KENTUCKY**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income</b>	<b>Median Income (2)</b>	<b>Median Age (3)</b>	<b>Newport Independent Public School Enrollment (4)</b>	<b>Unemployment Rate (5)</b>
2010	17,048	613,165,416	35,967	35.4	1,955	10.4%
2011	15,483	581,092,473	37,531	34.0	1,786	10.0%
2012	15,385	577,414,435	37,531	34.0	1,691	7.7%
2013	15,342	531,907,140	34,670	35.9	1,824	7.5%
2014	15,357	537,495,000	35,000	36.0	1,979	8.1%
2015	15,335	537,353,735	35,041	35.4	1,949	4.4%
2016	17,048	592,145,232	34,734	31.9	1,949	3.2%
2017	15,241	529,380,894	34,734	35.7	1,572	3.9%
2018	15,033	501,545,979	33,363	35.7	1,582	3.2%
2019	15,219	507,751,497	33,363	35.6	1,687	3.0%

(1) Census Bureau updated estimate and State Data Center

(2) U.S. Census Bureau

(3) U.S. Census Bureau

(4) Newport Independent School District

(5) Bureau of Labor Statistics Data and KY Department for Employment Services  
using Campbell County data.

<p align="center"><b>CITY OF NEWPORT, KENTUCKY</b></p> <p align="center"><b>FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM</b></p> <p align="center"><b>Last Ten Fiscal Years</b></p>
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	Full-Time Equivalent Employees as of June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Function/Program</b>										
General Government										
Office of the City Manager	6	6	7	6	6	6	4	6	6	5
Finance & Administration	7	6	6	5	5	5	6	5	5	6
Public Safety										
Police										
Sworn	42	45	43	42	42	42	42	41	41	41
Civilian	4	4	6	5	7	7	8	8	8	3
Fire										
Firefighters & Officers	35	37	37	37	37	37	37	37	37	37
Civilian	1	1	1	1	1	1	1	1	1	1
Development Services										
Administration	2	2	2	2	2	2	2	2	2	-
Code Enforcement	4	2	4	2	2	2	2	3	3	5
Community Services										
Administration	2	2	2	2	2	2	2	2	2	2
Code Enforcement	-	-	-	-	-	-	-	-	-	-
Maintenance	12	7	7	9	9	9	9	12	13	14
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<u>115</u>	<u>112</u>	<u>115</u>	<u>111</u>	<u>113</u>	<u>113</u>	<u>113</u>	<u>117</u>	<u>118</u>	<u>114</u>

Source: Finance & Administration Department (Budget Documents)

**CITY OF NEWPORT, KENTUCKY**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years**

	Fiscal Year									
Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Physical arrests	3,626	5,364	5,177	3,025	4,102	8,060	6,116	2,835	2,051	1,468
Parking violations	8,336	9,196	7,607	7,604	5,377	4,946	5,430	10,628	5,014	5,271
Traffic violations	1,126	1,979	1,075	2,627	3,977	5,915	2,811	1,434	1,591	1,663
Fire										
Number of calls answered:										
Fire	1,493	1,493	1,571	1,629	1,637	1,642	1,643	1,720	1,820	668
Emergency Medical Services	3,311	3,313	3,555	3,336	3,435	3,702	3,592	3,512	3,272	4,146
Inspections	1,198	943	875	904	744	673	678	475	675	631
Highways and streets										
Street resurfacing (miles)	-	-	-	0.5	1.2	-	1.6 *	1.4 *	1.5 *	3.7
Potholes repaired	N/A	N/A	N/A	4,321 *	4,269	4,464 *	3,897 *	1,640 *	1,060 *	879
Asphalt usage - tons	-	-	-	-	-	-	390	164	106	88
Culture and recreation										
Athletic field permits issued	302	338	258	80	77	82	87	742	462	408
Pool admissions	3,479	6,474	12,223	9,998	8,557	8,166	9,151	6,740	6,127	7,744
Pool passes	24	31	45	230	327	352	60	371	278	187
Facilities and services not included in this reporting entity:										
Education:										
Number of elementary school instructors	82	84	74	76	79	79	70	72	91	92
Number of secondary school instructors	72	79	76	81	85	84	79	80	63	64
Water										
Number of service connections	5,093	6,286	6,192	6,108	6,104	6,104	5,701	5,716	5,719	5,718
Average daily consumption (thousands of gallons)	2,400	2,300	2,300	2,300	2,300	2,300	4,100	4,100	4,226	4,250
Sanitation										
Average daily sewage treatment (thousands of gallons)	35,880	36,970	40,850	35,700	35,800	29,500	36,600	36,600	36,600	36,600

\* - estimate number

# - procedure change in how inspections are counted results in lower number

**CITY OF NEWPORT, KENTUCKY**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function										
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	34	34	32	41	40	38	30	32	35	41
Fire stations										
Apparatus	2	2	2	2	2	2	2	2	2	2
Highways and streets	6	6	6	6	6	6	6	6	6	6
Street (miles)										
Streetlights	35	35	35	35	35	35	35	35	35	35
Culture and recreation	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,300	1,300	1,300
Parks acreage										
Parks	52	52	52	52	52	52	52	52	52	52
Swimming pools	13	12	12	12	12	12	12	12	12	12
Tennis courts	1	1	1	1	1	1	1	1	1	1
Ball fields	3	3	3	3	3	3	3	3	3	3
	6	6	6	6	6	6	6	6	6	6
Facilities and services not included in this reporting entity:										
Education:										
Number of elementary schools	3	2	2	2	2	2	2	2	2	1
Number of secondary schools	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	51.30	51.30	53.42	53.50	53.50	53.50	58.90	59.27	59.30	53.30
Fire hydrants	455	440	464	434	460	473	485	420	429	431
Maximum daily capacity (thousands of gallons)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Sanitation										
Contained sanitary/storm sewers (miles)	1,775	1,921	1,931	1,962	1,966	1,971	1,990	2,071	2,100	2,100
Number of treatment plants	6	6	6	7	7	7	7	7	7	7
Maximum daily treatment capacity (thousands of gallons)	50,500	51,500	70,500	70,500	70,500	70,500	70,500	70,500	70,500	70,500